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Annual Report 2011

Mission

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

Our core values

Commitment to safety, integrity, openness, flexibility, integration, innovation, quality, competitiveness, teamwork, humility, internationalization

Countries in which Saipem operates

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

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

CIS
Azerbaijan, Kazakhstan, Russia, Turkmenistan, Ukraine

AFRICA
Algeria, Angola, Cameroon, Congo, Egypt, Gabon, Ivory Coast, Libya, Mauritania, Morocco, Mozambique, Nigeria, South Africa, Tunisia

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

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

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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), 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 provide legal, accounting, tax or investment advice and should not be relied upon in that regard. Nor are they intended to constitute an invitation to invest.

General Shareholders' Meeting of April 20 and 27, 2012

Notice of the Shareholders' Meeting was published in the daily newspaper Il Sole 24 Ore on March 20, 2012

Saipem Group Consolidated Financial Report

Letter to the Shareholders

Dear Shareholders,

oil prices in 2011 remained high, driven by increased levels of consumption, particularly in Asia, and by social and political tensions in a number of important oil-producing nations. In the gas market, the exploitation of shale deposits caused a fall in gas prices in the US, while in Europe, consumption levels, which remained low in spite of an increase, pushed down demand, with the result that gas prices, although experiencing a period of recovery, were still far lower than those recorded in Asia, where demand was more sustained. The trend in oil and gas demand and prices encouraged oil companies to invest on a global scale in upstream oil activities, particularly in offshore markets, as well as in the gas sector in Asia. Gas production and transport projects for Europe, on the other hand, were hit by further by postponements. Saipem was able to fully exploit the favourable conditions on the Offshore market, posting a 33.3% increase in new contract acquisitions compared with the previous year. The acquisitions enabled the Company to maintain its order backlog at the same level as at the start of 2011, which can be considered a good result in the light of the postponements affecting the planned European gas projects, for which the Company enjoys a competitive edge over its rivals on account of their large dimensions and high level of complexity.

With regard to the Saipem share price, the fall of 11.3% recorded in 2011 needs to be seen in the context of the strong appreciation seen in the previous year (+53.6%) and the uncertainty with regard to the global economy, and the European economy in particular.
The results posted by Saipem in 2011 represented new records in terms of both volumes and profits, thus confirming the strong competitive position and the operational efficiency of the Company. Compared with 2010, revenues increased by 12.8%, EBITDA by 16.3%, EBIT by 13.2% and adjusted net profit by 11.2%.
Meanwhile, in terms of the individual business units, Offshore Engineering & Construction revenues increased by 13.1% and EBITDA by 13.1% over the previous year, with activity concentrated especially in West Africa, Kazakhstan and the North Sea. Onshore Engineering & Construction revenues were up 13.5% and EBITDA by 26.6% due to increased volumes in the Middle East, Canada and Australia. In the Offshore Drilling business unit, revenues rose 11.1% and EBITDA by 10.2% as a result of higher fleet utilization rates and new rigs commencing operations. Finally, in the Onshore Drilling segment, revenues rose by 7.6% and EBITDA by 20.7%, due to new rigs commencing operations in South America and Kazakhstan and higher rig utilization rates.

The level of operational efficiency achieved in 2011 once again confirmed the Company's position at the top of its

Saipem Board of Directors

from left to right:
Umberto Vergine Director, **Nicola Greco** Director, **Michele Volpi** Director, **Gabriele Galateri di Genola** Director, **Pietro Franco Tali** Deputy Chairman and Chief Executive Officer, **Alberto Meomartini** Chairman, **Maurizio Montagnese** Director, **Mauro Sacchetto** Director, **Hugh James O'Donnell** Managing Director for Business Support and Trasversal Activities (Deputy CEO).

industry. In terms of health and safety, the LTIFR (Lost Time Injury Frequency Rate) was 0.31 compared with 0.4 in 2010. The six fatal accidents that occurred during the year, however, serve to remind us that constant effort is needed to ensure that attention to health and safety is kept high at all sites in which Saipem operates. Meanwhile, the Company continued its commitment to implementing a local content strategy, as illustrated in the document 'Saipem Sustainability 2011'.

The year saw the continuation of the major investment programme launched in 2006, with an overall outlay for the year of €1,199 million. In the Offshore E&C sector, construction work was completed on a deep water field development ship and an FPSO vessel, while construction and fitting out works continued on a pipelayer and a new fabrication yard in Indonesia. In Offshore Drilling, 2011 saw the completion of construction work on a new semi-submersible rig for drilling operations, while a second is currently nearing completion. Finally, in the Onshore Drilling sector, two new rigs were purchased. The newly constructed vessels and those whose construction is nearing completion allowed the Company to secure a number of major orders. Indeed, a significant share of the backlog of orders (33% in Offshore Engineering & Construction and 63% in Offshore Drilling) are projects on which the new assets are expected to be deployed.

Oil industry spending is expected to increase in 2012, even though the widespread uncertainty of the global economy might affect the timing in the award of scheduled projects. The market is expected to be buoyant in the following areas: in the Offshore sector, in West Africa (Nigeria and Angola in particular), Azerbaijan, Brazil, South East Asia and Australia and in the Onshore sector in Nigeria, Canada, Iraq and Australia. Furthermore, important projects related to gas field development and transport may be sanctioned during the year – specifically the first phase of the Shtokman project in the Barents Sea, the Brass liquefaction plant in Nigeria and the Algeria-Italy Galsi pipeline project. Market prospects for the oil services industry are therefore expected to improve in 2012. As far as Saipem is concerned, the distinctive diversity of the fleet, significant local presence and a positive track record underpin expectations that the Company will be able to take full advantage, in terms of new contract acquisitions, of the expected market improvement. With respect to financial targets, the Offshore Drilling sector should benefit from the start of operations of Scarabeo 9 (January 19) and Scarabeo 8 (April), which will be partially offset by upgrading works to be carried out on Scarabeo 6, which should require approximately 6 and a half months. The Onshore Drilling sector is expected to continue the high level of utilization recorded in 2011 and to benefit from slightly increased day rates. In 2012, a modest increase in volumes is also expected in both the Offshore and Onshore Engineering & Construction sectors, with margins similar to those of 2011. The strong order backlog, overall market performance and Saipem's reliability and operational efficiency underpin management's expectations of record results in 2012.

Investments for 2012 relate mainly to maintenance, the completion of the pipelayer Castorone, upgrading works on Scarabeo 6 to enable it to operate in water depths of up to 1,100 metres, and the first phase of development for a new construction yard in Brazil. Overall capital expenditure is forecast at approximately €900 million.

March 13, 2012

On behalf of the Board of Directors

The Chairman
Alberto Meomartini

The Deputy Chairman and Chief Executive Officer (CEO)
Pietro Franco Tali

BOARD OF DIRECTORS
Chairman
Alberto Meomartini
Deputy Chairman and Chief Executive Officer
Pietro Franco Tali
Managing Director for Business Support and Transversal Activities (Deputy CEO)
Hugh James O'Donnell
Directors
Gabriele Galateri di Genola
Nicola Greco
Maurizio Montagnese
Mauro Sacchetto
Umberto Vergine
Michele Volpi

BOARD OF STATUTORY AUDITORS
Chairman
Mario Busso

Statutory Auditors [1]
Giulio Gamba [2]
Adriano Propersi

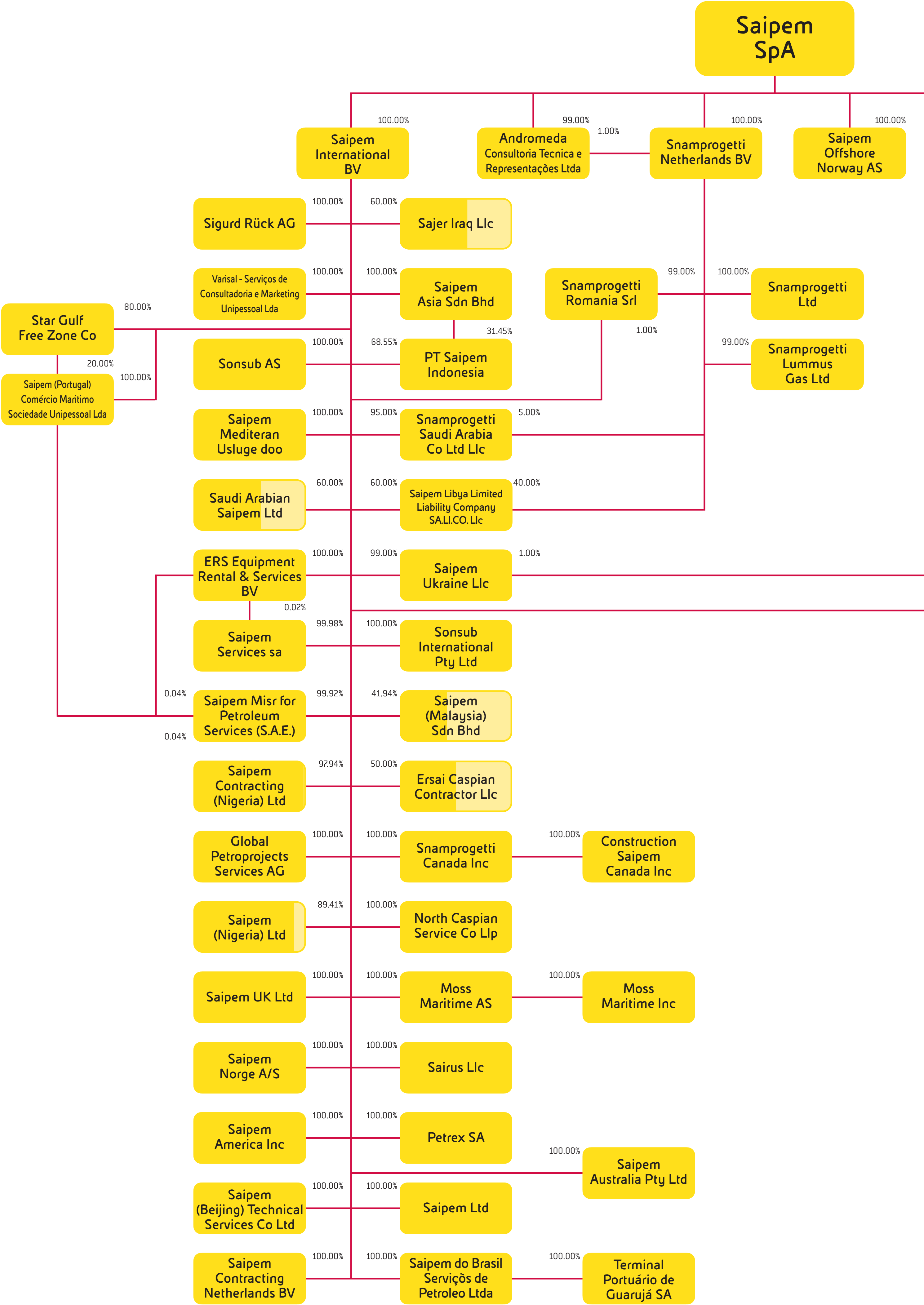
Alternate Statutory Auditors [1]
Paolo Sfameni

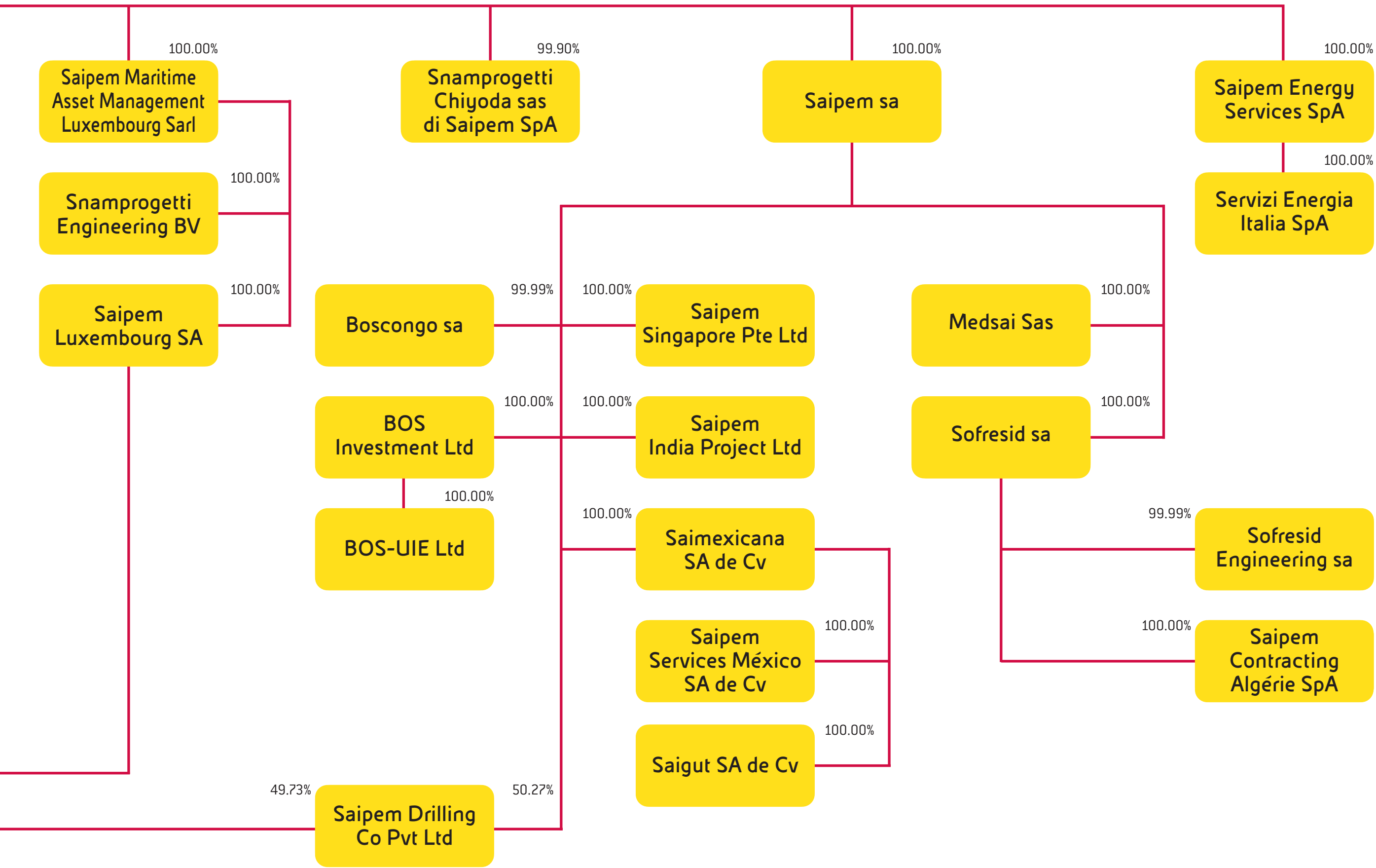
Independent Auditors
Reconta Ernst & Young SpA

(1) Appointment to the Board of Statutory Auditors of one Statutory Auditor and one Alternate Auditor is on the agenda of the Shareholders' Meeting that will approve the 2011 Financial Statements.
(2) Took over as Statutory Auditor from Fabrizio Gardi on December 6, 2011. His term expires at the Shareholders' Meeting that will approve the 2011 Financial Statements.

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
100.00%
Varisal - Serviços de Consultadoria e Marketing Unipessoal Lda
100.00%
Saipem Asia Sdn Bhd
Snamprogetti Romania Srl
99.00%
100.00%
Snamprogetti Ltd
Star Gulf Free Zone Co
80.00%
31.45%
1.00%
20.00%
100.00%
Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda
100.00%
Sonsub AS
68.55%
PT Saipem Indonesia
99.00%
Snamprogetti Lummus Gas Ltd
100.00%
Saipem Mediteran Usluge doo
95.00%
Snamprogetti Saudi Arabia Co Ltd Llc
5.00%
60.00%
Saudi Arabian Saipem Ltd
60.00%
Saipem Libya Limited Liability Company SA.LI.CO. Llc
40.00%
100.00%
ERS Equipment Rental & Services BV
99.00%
Saipem Ukraine Llc
1.00%
0.02%
99.98%
Saipem Services sa
100.00%
Sonsub International Pty Ltd
0.04%
99.92%
Saipem Misr for Petroleum Services (S.A.E.)
41.94%
Saipem (Malaysia) Sdn Bhd
0.04%
97.94%
Saipem Contracting (Nigeria) Ltd
50.00%
Ersai Caspian Contractor Llc
100.00%
Global Petroprojects Services AG
100.00%
Snamprogetti Canada Inc
100.00%
Construction Saipem Canada Inc
89.41%
Saipem (Nigeria) Ltd
100.00%
North Caspian Service Co Llp
100.00%
Saipem UK Ltd
100.00%
Moss Maritime AS
100.00%
Moss Maritime Inc
100.00%
Saipem Norge A/S
100.00%
Sairus Llc
100.00%
Saipem America Inc
100.00%
Petrex SA
100.00%
Saipem Australia Pty Ltd
100.00%
Saipem (Beijing) Technical Services Co Ltd
100.00%
Saipem Ltd
100.00%
Saipem Contracting Netherlands BV
100.00%
Saipem do Brasil Serviçōs de Petroleo Ltda
100.00%
Terminal Portuário de Guarujá SA



The diagram only shows Saipem subsidiaries

Directors' Report

Saipem SpA share performance

At December 31, 2011, the value of Saipem ordinary shares on the Milan Stock Exchange was €32.73, down 11% compared to year-end 2010. In the same period, the FTSE MIB index, which records the performance of the 40 most liquid and capitalized Italian stocks, reported a drop in excess of 25%.

The social unrest in North Africa and in the Middle East at the beginning of 2011 caused uncertainty about the security of hydrocarbon supplies, especially those towards Europe, and consequently generated a tense climate on international markets. Despite Saipem's low level of exposure in the countries directly involved in the unrest, after closing 2010 near an all-time high, the share price fluctuated for the whole of the first quarter of 2011. With the first signs that the crisis was easing, and with favourable trends in the oil services market, the share price began a phase of recovery that peaked in early May with a new historical high of €38.60. The recovery in the share price was also boosted by consistent trends in the signing of new contracts to be performed mainly with the new vessels near completion resulting from Saipem's long-term investment plan.
The sovereign debt crisis, which heavily affected a number of euro zone countries, especially Italy, once again undermined market confidence and increased fears of a downturn in the global economy. This had a negative effect on the markets for most of the second quarter of the year. Saipem's share fluctuated strongly, slipping in early October to a yearly low of €23.77, a level not seen since early 2010. During the last quarter, with record results confirmed for 2011, the share price recovered more or less steadily to remain above the threshold of €30, closing the year at €32.73.
At the end of December, Saipem's market capitalization reached €14.4 billion (7th on the FTSE MIB) versus €16.3 billion in 2010.
In terms of share liquidity, shares traded over the year totalled approximately €545 million, versus the approximately €745 million registered in 2010. The average number of shares traded daily for the year totalled 2.1 million (2.9 million in 2010). The

Stock Exchange Data and Indices		Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	**Dec. 31, 2011**
Share capital	(€)	441,410,900	441,410,900	441,410,900	441,410,900	**441,410,900**
Ordinary shares	(No.)	441,251,800	441,262,713	441,265,604	441,270,452	**441,275,452**
Savings shares	(No.)	159,100	148,187	145,296	140,448	**135,448**
Market capitalization	(€ million)	12,051	5,262	10,603	16,288	**14,447**
Gross dividend per share:						
- ordinary shares	(€)	0.44	0.55	0.55	0.63	**0.70** (1)
- savings shares	(€)	0.47	0.58	0.58	0.66	**0.73** (1)
Price/earnings ratio per share: (2)						
- ordinary shares		13.77	5.75	14.48	19.30	**15.69**
- savings shares		14.38	8.12	14.48	19.09	**14.38**
Price/cash flow ratio per share: (2)						
- ordinary shares		10.42	4.15	9.05	11.97	**9.24**
- savings shares		10.88	5.86	9.05	11.84	**8.47**
Price/adjusted earnings ratio per share:						
- ordinary shares		20.74	7.26	14.48	19.67	**15.69**
- savings shares		21.65	10.25	14.48	19.46	**14.38**
Price/adjusted cash flow ratio per share:						
- ordinary shares		13.98	4.88	9.05	12.11	**9.24**
- savings shares		14.59	6.89	9.05	11.98	**8.47**

(1) To be approved by the Shareholders' Meeting to be held on April 20 and 27, 2012, at first and second call, respectively.

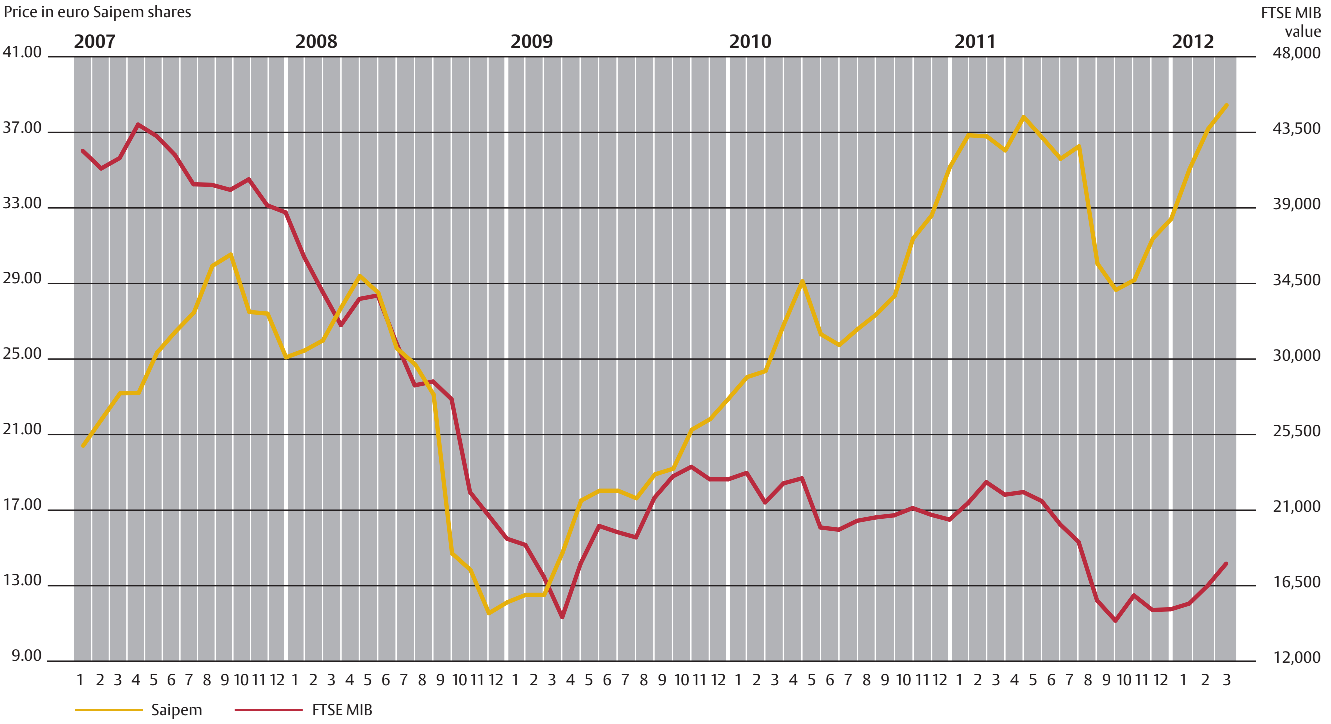
(2) Figures pertain to the consolidated financial statements.

value of shares traded amounted to €18.3 billion, down 11% compared with the figure of €20.6 billion recorded in 2010, making Saipem's the ninth most traded share on the FTSE MIB. On May 26, 2011, a dividend of €0.63 per ordinary share was distributed to shareholders, an increase of over 15% compared with the dividend paid out in the previous year (€0.55 per share).

The price of the savings shares, which are convertible at par with ordinary shares, and are of limited number (135,448 at December 31, 2011), fell by 18%, closing the year at €30, versus €36.5 at year end 2010. The dividend distributed on savings shares was €0.66 per share, up 14% on the previous year.

Share Prices on the Milan Stock Exchange (€)	2007	2008	2009	2010	**2011**
Ordinary shares:					
- maximum	31.56	30.44	24.23	37.27	**38.60**
- minimum	18.32	10.29	10.78	23.08	**23.77**
- average	24.72	23.19	17.51	28.16	**33.89**
- year-end	27.30	11.92	24.02	36.90	**32.73**
Savings shares:					
- maximum	41.50	30.05	24.02	37.00	**39.25**
- minimum	19.10	16.82	14.85	23.00	**30.00**
- average	26.97	26.43	18.54	29.80	**34.89**
- year-end	28.50	16.82	24.02	36.50	**30.00**

Saipem and FTSE MIB - Average monthly prices January 2007-March 2012



Glossary

FINANCIAL TERMS

Adjusted net profit: net profit adjusted to exclude special items.
EBIT: Earnings Before Interest and Tax (operating profit).
EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization (gross operating profit).
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 denomination International Financial Reporting Standards (IFRS) has been adopted by IASB and applies to standards issued after May 2003. Standards issued before May 2003 have maintained the denomination IAS.
Leverage: a measure of a company's level of indebtedness, calculated as the ratio between net borrowings and shareholders' equity including minority interest.
OECD: Organization for Economic Cooperation and Development.
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.

OPERATIONAL TERMS

Buckle detection: system that utilizes electromagnetic waves during pipelaying to signal collapse of or deformations to pipeline laid.
Bundles: bundles of cables.
Carbon Capture and Storage: technology which enables the carbon present in gaseous effluents from hydrocarbon combustion and treatment plants to be captured and stored over long periods of time in underground geological formations, thus reducing or eliminating the carbon dioxide emissions into the atmosphere.
Commissioning: series of processes and procedures undertaken in order to start operations of a gas pipeline, associated plants and equipment.
Concrete coating: subsea pipelines are coated with reinforced concrete so as to ballast and protect them from damage and corrosion.
Conventional waters: 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 work equipment is located: process plant and equipment, accommodation modules and drilling units.
Decommissioning: undertaken in order to end operations of a gas pipeline, associated plant and equipment. It 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: depths of over 500 metres.
Downstream: all operations that follow exploration and production operations in the oil sector.
Drillship: vessel equipped with self-propulsion system, capable of carrying out drilling operations in deep waters.
Dry-tree: wellhead located above the water on a floating production platform.
Dynamically Positioned Heavy Lifting Vessel: vessel equipped with a heavy-lift crane, capable of holding a precise position through the use of thrusters, thereby counteracting the force of the wind, sea, current, etc.
EPC (Engineering, Procurement, Construction): type of contract typical of the Onshore construction sector, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' indicates that the system is delivered to the client ready for operations, i.e. already commissioned.
EPIC (Engineering, Procurement, Installation, Construction): type of contract typical of the Offshore construction sector, which relates to the realization 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 multipurpose 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 required investment.
Flare: tall metal structure used to burn off gas produced by oil/gas separation in oil fields when it is not possible to utilize it onsite or ship it elsewhere.
FLNG (Floating Liquefied Natural Gas): floating unit used for the treatment, liquefaction and storage of gas which is subsequently transferred on to vessels for transportation to end-use markets.
Floatover: type of module installation on offshore platforms that does not require lifting operations. A specialized vessel transporting the module uses a ballast system to position itself directly above the location where the module is to be installed. It then proceeds to de-ballast and lower the module into place. 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): floating terminal in which liquefied natural gas is stored and then regasified before being transported by pipeline.

Gas export line: pipeline for carrying gas from the subsea reservoirs to the mainland.

Hydrocracker: installation in which large hydrocarbon molecules are broken down into smaller ones.

Hydrotesting: operation involving high pressure (higher than operational pressure) water being pumped into a pipeline to ensure that it is devoid of defects.

Hydrotreating: refining process aimed at improving the characteristics of oil fractions.

International Oil Companies: privately-owned, typically publicly traded, oil companies engaged in various fields of the upstream and/or downstream oil industry.

Jacket: platform underside structure fixed to the seabed using piles.

Jack-up: mobile self-lifting unit comprising a hull and retractable legs, used for offshore drilling operations.

J-laying: method of pipelaying that utilizes an almost vertical launch ramp, making the pipe configuration resemble the letter 'J'. This configuration is suited to deep-water pipe laying.

Leased FPSO: FPSO vessel for which a lease contract is in place between a client/lessee (i.e. an oil company) and a contractor/lessor, whereby the lessee makes lease payments to the lessor for use of the vessel for a specific period of time. At the end of the lease term, the lessee has the option to purchase the FPSO.

LNG: Liquefied Natural Gas is 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 utilization. A tonne of LNG equates to 1,500 cubic metres of gas.

Local Content Policy: policy whereby a company develops local capabilities, transfers its technical and managerial know-how and enhances the local labour market and businesses through its business activities.

LPG: Liquefied Petroleum Gases. Produced in refineries through the fractionation of crude oil and subsequent processes, liquid petroleum gases exist in a gaseous state at ambient temperatures and atmospheric pressure, but change to a liquid state under moderate pressure at ambient temperatures, thus enabling large quantities to be stored in easy to handle metal pressure vessels.

LTI (Lost Time Injury): any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred.

Midstream: sector comprising all those activities relating to the construction and management of the oil transport infrastructure.

Moon pool: opening in the hull of a drillship to allow for the passage of operational equipment.

Mooring buoy: offshore mooring system.

Multipipe subsea: subsea gas/liquid gravity separation system using a series of small diameter vertical separators operating in parallel (for deepwater application).

National Oil Companies: State-owned/controlled companies engaged in oil exploration, production, transportation and conversion.

NDT Phased Array: non-destructive testing method that employs ultrasound to detect structural or welding defects.

NDT (Non Destructive Testing): series of inspections and tests used to detect structural defects conducted using methods that do not alter the material under inspection.

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 internally clean, descale and survey a pipeline.

Piggy backed pipeline: small-diameter pipeline, fixed to a larger pipeline, used to transport a product other than that of the main line.

Pile: long and heavy steel pylon driven into the seabed; a system of piles is used as the foundation for anchoring a fixed platform or other offshore structures.

Pipe-in-pipe: subsea pipeline system comprising two coaxial pipes, used to transport hot fluids (oil & 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 pipe laying.

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): electronic system used to ensure the full traceability of the components of subsea pipes installed on a project.

Piping and Instrumentation Diagram (P&ID): diagram showing all plant equipment, piping and instrumentation with associated shutdown and safety valves.

Pre-commissioning: comprises pipeline cleaning out and drying.

Pre-drilling template: support structure for a drilling platform.

Pre Travel Counselling: health 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 water: see Conventional waters.

Sick Building Syndrome: a combination of ailments associated with a person's place of work. The exact causes of the syndrome are not known but the presence of volatile organic compounds, formaldehyde, moulds and dust mites may be contributing factors.

S-laying: method of pipelaying that utilizes the elastic properties afforded by 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: ratio between production and production capacity, i.e. the quantity of oil in excess of demand.

Spool: connection between a subsea pipeline and the platform riser, or between the terminations of two pipelines.

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.

Tandem Offloading: method used for the transfer of liquids (oil or LNG) between two offshore units in a line via aerial, floating or subsea lines (unlike side-by-side offloading, where the two units are positioned next to each other).

Tar sands: mixture of clay, sand, mud, water and bitumen. The bitumen in tar sands is composed principally of high molecular weight hydrocarbons and can be converted into a variety of oil products.

Template: rigid and modular subsea structure where the oilfield well-heads are located.

Tender assisted drilling unit (TAD): offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructure.

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.

Topside: portion of 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: a term 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

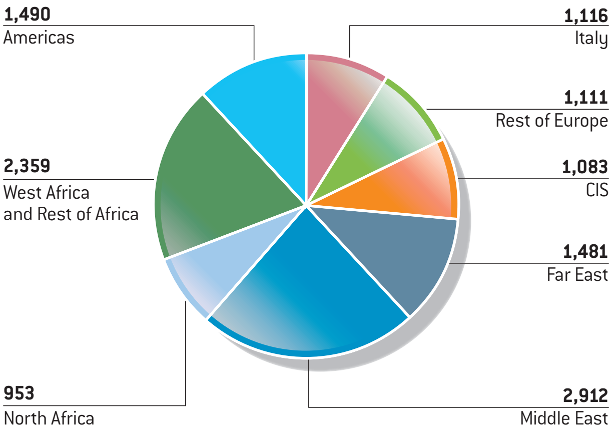
New contracts and backlog

Saipem Group - New contracts awarded as at December 31

(€ milion)	2010		**2011**	
	Amount	%	Amount	%
Saipem SpA	5,581	43	**4,268**	**34**
Group companies	7,354	57	**8,237**	**66**
Total	**12,935**	**100**	**12,505**	**100**
Offshore Engineering & Construction	4,600	36	**6,131**	**49**
Onshore Engineering & Construction	7,744	60	**5,006**	**40**
Offshore Drilling	326	2	**780**	**6**
Onshore Drilling	265	2	**588**	**5**
Total	**12,935**	**100**	**12,505**	**100**
Italy	825	6	**1,116**	**9**
Outside Italy	12,110	94	**11,389**	**91**
Total	**12,935**	**100**	**12,505**	**100**
Eni Group	962	7	**822**	**7**
Third parties	11,973	93	**11,683**	**93**
Total	**12,935**	**100**	**12,505**	**100**

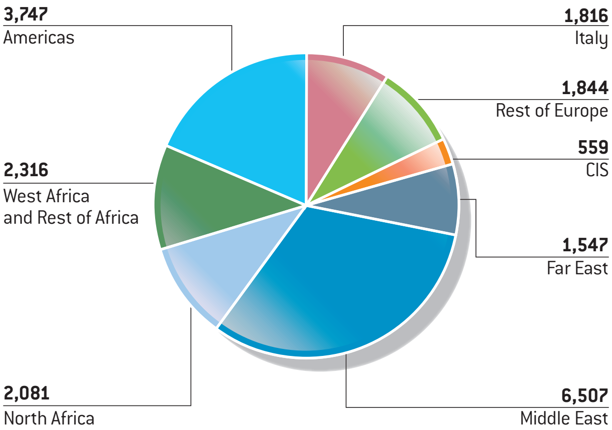
New contracts by geographical area

(€ milion)



Backlog by geographical area

(€ milion)



New contracts awarded to the Saipem Group in 2011 amounted to €12,505 million (€12,935 million in 2010).
49% of all contracts awarded were in the Offshore Engineering & Construction sector, 40% in the Onshore Engineering & Construction sector, 6% in the Offshore Drilling sector and 5% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 91% of the total and contracts awarded by Eni Group companies 7%. Orders awarded to the Parent Company, Saipem SpA, amounted to 34% of the overall total.

The backlog at December 31, 2011 stood at €20,417 million.
The breakdown of the backlog by sector is as follows: 32% in the Offshore Engineering & Construction sector, 47% in the Onshore Engineering & Construction sector, 16% in Offshore Drilling and 5% in Onshore Drilling.
91% of orders were on behalf of overseas clients, while orders from Eni Group companies represented 14% of the overall backlog. The Parent Company, Saipem SpA, accounted for 53% of the total order backlog.

Saipem Group - Backlog as at December 31 (€ milion)	2010		**2011**	
	Amount	%	Amount	%
Saipem SpA	11,242	55	**10,764**	**53**
Group companies	9,263	45	**9,653**	**47**
Total	**20,505**	**100**	**20,417**	**100**
Offshore Engineering & Construction	5,544	27	**6,600**	**32**
Onshore Engineering & Construction	10,543	52	**9,604**	**47**
Offshore Drilling	3,354	16	**3,301**	**16**
Onshore Drilling	1,064	5	**912**	**5**
Total	**20,505**	**100**	**20,417**	**100**
Italy	1,310	6	**1,816**	**9**
Outside Italy	19,195	94	**18,601**	**91**
Total	**20,505**	**100**	**20,417**	**100**
Eni Group	3,349	16	**2,883**	**14**
Third parties	17,156	84	**17,534**	**86**
Total	**20,505**	**100**	**20,417**	**100**

Capital expenditure

Capital expenditure in 2011 amounted to €1,199 million (€1,545 million in 2010) and included:
- in the Offshore Engineering & Construction sector, €509 million for the completion of the new deep water field development ship and an FPSO vessel, the construction and preparation of a pipelayer and of a new fabrication yard in Indonesia, the purchase of a perpetual concession of an area in Brazil for the construction of a fabrication yard for subsea structures, as well as maintenance and upgrading of the existing asset base;
- €59 million in the Onshore Engineering & Construction sector for the purchase of equipment and facilities for a base in Iraq as well as for maintenance of the existing asset base;
- €509 million in the Offshore Drilling sector, mainly relating to the completion and fitting out of deepwater semi-submersible rigs Scarabeo 9 and Scarabeo 8, in addition to the maintenance and upgrading of the existing asset base;
- €122 million in the Onshore Drilling sector mainly relating to the purchase of two new rigs due to operate in Saudi Arabia and South America, as well as the upgrading of the existing asset base.

The following table provides a breakdown of capital expenditure in 2011.

Investments (€ milion)	2010	2011
Saipem SpA	230	**115**
Other Group companies	1,315	**1,084**
Total	**1,545**	**1,199**
Offshore Engineering & Construction	713	**509**
Onshore Engineering & Construction	25	**59**
Offshore Drilling	553	**509**
Onshore Drilling	254	**122**
Total	**1,545**	**1,199**

Details of capital expenditure for the individual business units are provided in the paragraphs to follow.

Offshore Engineering & Construction

General overview

The Saipem Group possesses a strong, technologically advanced and highly-versatile fleet and 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 EPIC projects.
During the first half of 2011, the Saipem FDS 2 field development ship entered into service. Capable of operating at depths of up to 3,000 metres, the Saipem FDS 2 has a length of 183 metres, a moulded breadth of 32 metres and a moulded depth of 14.5 metres. It is equipped with a vertical tower with a capacity of 2,000 tonnes designed to J-lay sealines of up to 36" in diameter. The FDS 2 can also lay pipes of the same diameter using S-lay mode, is equipped with the cutting-edge DP3 dynamic-positioning system, has a transit speed of 13 knots and can accommodate 325 people on board, in compliance with the most stringent international comfort standards.
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 and is capable of laying subsea pipelines in ultra-deep waters using the J-lay system, which can handle a suspended load of up to 1,450 tonnes during pipelay operations, the Castoro Sei, capable of laying large diameter subsea pipelines, the Field Development Ship (FDS), 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 up to 2,000 metres, and the Saipem 3000, capable of laying flexible pipelines and installing umbilicals and mooring systems in deep waters and installing subsea structures of up to 2,200 tonnes.
During the second half of 2011, the Karimun fabrication yard in Indonesia entered into service with construction works 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 (Remotely Operated Vehicles) and specially equipped robots capable of carrying out complex deep-water pipeline operations.
Finally, Saipem is also active in the Leased FPSO sector, with a fleet comprising the Cidade de Vitoria and the Gimboa, as well as the Aquila, which entered into service in December.

Market conditions

Despite the economic crisis, during 2011 the increase in offshore market volumes was higher compared to a mediocre 2010.
This was in part due to the higher price of crude (the 2011 average price of Brent crude was in excess of 110 $/bbl), which prompted oil companies to increase their exploration and production budgets.
In 2011 the offshore sector confirmed its tendency towards consolidation: following the merger between Acergy and Subsea 7 in 2010, the year saw Technip purchase 100% of Global Industries, thereby branching out into rigid pipe laying; General Electric bought Wellstream and thus entered the flexible pipe production sector; finally Clough sold its marine construction and offshore engineering assets to Sapura Crest.

This consolidation of competitors is positive for major global contractors such as Saipem, since it improves the quality of services offered on the market and boosts the industry's overall level of sustainability.
Analysis of the various offshore market sectors shows that the subsea development segment grew by 12% compared to 2010 in terms of units installed. This increase is due almost exclusively to deep and ultra-deep water installations. A further increase is expected for 2012, in particular in the North Sea/North Atlantic areas and in West Africa. In the Gulf of Mexico, too, a recovery in business volumes to pre-Macondo levels is envisaged, boosted by the connection of new wells to existing infrastructures.

In 2011, the subsea pipeline segment saw a significant increase in terms of kilometres installed, with strong growth in the North Sea/North Atlantic area (due above all to work carried out by Total on a number of major projects) and in West Africa (BP, Exxon and Total). In absolute terms, during 2011 most work was recorded in Asia-Pacific (21% of total kilometres installed worldwide) and in Russia (17% of total kilometres installed thanks to the Nord Stream Project executed by Saipem).
For 2012, Asia-Pacific, in particular Australia, should continue to be the most active area.
The trunklines sector is witnessing a significant reduction in quantities of pipe laid in conventional waters in favour of the deep and ultra-deep water laying sector. Already the leader in this latter sector, Saipem has made further investments in the Castorone (under construction) and the FDS 2, in operation as of 2011 in West Africa, Brazil and the Far East.
Awards of ultra-deep water projects should grow significantly in 2012, driven by the Mediterranean sector with key projects such as Galsi and Tamar.

As regards the number of fixed platforms installed, after a three-year period of minimum levels, 2011 saw an upturn of 7% in business volumes. 2012 should be equally promising. Globally, the two most active areas were Asia-Pacific, accounting for over a third of installations during the year, and the Middle East, where almost a quarter of total installations took place in 2011. The most active operators in the segment were India's ONGC (Oil and Natural Gas Corporation) and Saudi Aramco.
Bucking the positive trends, installations in the Gulf of Mexico, which continues to be influenced by the fall-off in offshore drilling due to the Macondo accident, plummeted 30% in 2011, while forecasts for 2012 point to further decline.
The super-heavy lift sector[1], in which Saipem is sector leader with the vessel Saipem 7000, stands out for its growth levels in excess of 30% compared to 2010 and good prospects for a further increase in 2012.

In the floating production unit sector, the number of installations remained more or less constant compared to 2010 but should halve in 2012, as an after-effect of the 2008 crisis, which saw orders slashed. However, trade is steady, with projects already awarded in 2011 for 60 units (two thirds of which are FPSOs). This is in line with the levels of summer 2008 and represents moderate but steady growth after the lows of 2010. Of these units, 24 are destined for Brazil (18 for Petrobras alone), implying a shift, heading towards 2013, away from the current hot spot in the Asia-Pacific area (which accounted for about 40% of global installations in 2011) towards Latin America. In the regasification industry, Saipem is moving ahead with the construction of the FSRU Livorno (the first offshore terminal in the world) and is targeting new initiatives.
In the nascent FLNG sector, Shell has already made the final investment decision for the Prelude project, which may become the world's largest FLNG facility. Meanwhile, Petrobras is assessing whether to develop the Pre-Salt Santo Basin with an FLNG in parallel with the award of a series of gas export lines.

Business is growing in the Arctic area with the development of the Sakhalin III (Russia) and Goliat (Norway) projects, while Gazprom and its partners are selecting the consortium of contractors to construct the giant floating unit for the production of gas in the Shtokman field.

New contracts

The most significant contracts awarded to the Group in 2011 included:
- for Saudi Aramco in Saudi Arabia, an EPIC contract for fifteen fixed platforms, an export pipeline, offshore lines, and subsea and control cables for the development of the Arabiyah and Hasbah offshore fields, as part of the Al Wasit Gas Program. The contract encompasses engineering, procurement, construction and installation of fifteen fixed platforms, an export pipeline, offshore lines, subsea and control cables;
- for Husky Oil China Ltd in China, an EPIC contract for the Liwan 3-1 Field project involving 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;
- for South Oil Company, an EPIC contract within the framework of the Iraq Crude Oil Export Expansion - Phase 2 project for the expansion of the Basra Oil Terminal. The contract is for the engineering, procurement, construction and installation of a Central Metering and Manifold Platform (CMMP) along with associated facilities;
- for Petrobras in Brazil, an EPIC contract for the Guara & Lula-Nordeste gas export pipelines encompassing the transportation, installation and pre-commissioning of two export sealines, as well as the engineering, procurement and construction of related subsea equipment;
- for Total E&P Nigeria Ltd, the OFON2 - DO30 EPIC contract in Nigeria for new offshore facilities in the Ofon field. The contract involves the engineering, procurement, construction and installation of an OFP2 Jacket, as well as the transportation and installation of the new OFQ platform complete with living quarters;

(1) Topsides weighing over 2,300 tonnes.

- for the Burullus Gas Co in Egypt, the EPIC project for new subsea developments in the area of the West Delta Deep Marine Concession. The contract is for the engineering, procurement, construction and installation of subsea wellheads and related infrastructures, umbilicals and flowlines;
- for PDVSA Petroleo SA in Venezuela, the construction of the Dragon - CIGMA pipeline which involves the transportation and installation of the gas pipeline which will connect the Dragon gas platform to the CIGMA complex;
- for Petrobras in Brazil, the EPIC contract for the construction of the Lula NE-Cernambi pipeline. The contract is for the engineering, procurement, construction and installation of a gas pipeline and related subsea equipment;
- subsea development of the Kirinskoye Gas Condensate field in Russia with Mezhregiontruboprovostroy (MRTS) for Gazprom Dobycha Shelf, as part of the Sakhalin 3 project. The EPIC contract involves the engineering, procurement and installation of subsea structures, planned connections to subsea wells, a network of infield umbilicals and shore approach, along with survey activities in the field;
- for the Caspian Pipeline Consortium (CPC) in Russia, a contract for the expansion of the facilities of the CPC marine export terminal on the Black Sea shores in the Krasnodar region. The development includes the engineering, procurement and installation of a new offshore export pipeline for hydrocarbon transportation and the installation of a new offshore mooring system for hydrocarbon export;
- project comprising the transport and installation of a production and quarters platform of a well-head platform and of an interconnecting bridge for PearlOil (Sebuku) Ltd, in Indonesia.

Capital expenditure

The most significant investments in this sector included:
- the completion of investments for the construction of the new Saipem FDS 2 deepwater field development ship;
- the completion of the conversion of an oil tanker into an FPSO vessel;
- the completion of the first phase and the commencement and continuation of work in the second phase for the construction of a new fabrication yard in Indonesia;
- the continuation of investment in a new pipelayer, Castorone, equipped with dynamic positioning, designed for laying large diameter pipes in sub-arctic conditions and in deep waters;
- the purchase of a 35-hectare perpetual concession in Guarujá (Brazil). Saipem will develop the area through the construction of a fabrication yard for subsea and floating structures, which will be used in the development of Brazilian offshore fields;
- upgrading and integration works on the fleet's main vessels.

Work performed

Activities carried out in 2011 consisted of the laying of 1,682 km of pipelines and the installation of 105,033 tonnes of plant and equipment. The main projects were as follows.

In the Mediterranean Sea:
- for Snam Rete Gas, work was completed on the project for the installation of a new onshore gas import system from the FRSU (Floating Storage Re-gasification Unit) to be installed off the coast of Livorno, Italy;
- on the **Castor** project for UTE ACS Cobra Castor in Spain, work is underway on the installation of an offshore pipeline that will connect mainland Spain to the WHP (Well Head Platform);
- for the Burullus Gas Co in Egypt, work began on an EPIC project for new subsea developments in the area of the **West Delta Deep Marine Concession**. The contract encompasses the engineering, procurement, construction and installation of subsea wellheads and related infrastructures, umbilicals and flowlines.

In Saudi Arabia, for Saudi Aramco:
- construction and installation work was completed on platforms, and fabrication continued of 4 new jackets under the **Long Term Agreement** which encompasses the engineering, procurement, construction, transport and installation of structures, platforms and pipelines;
- work began, as part of the **Al Wasit Gas Program**, for the development of the Arabiyah and Hasbah offshore fields. The EPIC contract encompasses the engineering, procurement, construction and installation of 15 fixed platforms, an export pipeline, offshore lines, subsea and control cables.

In Iraq, work commenced for South Oil Company on the **Iraq Crude Oil Export Expansion - Phase 2** project for the expansion of the Basra Oil Terminal. The EPIC 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 concluded on the **Gajah Baru** project for Premier Oil Natuna Sea BV, in the West Natuna Sea offshore Indonesia, an EPIC project which encompassed the engineering, procurement, construction and installation of two platforms, a bridge connecting the platforms and a subsea gas export pipeline;
- works are ongoing for ExxonMobil on the contract for the **PNG LNG EPC 2** Offshore Pipeline Project in Papua New Guinea. The scope of work consists of the engineering, transportation and installation of a gas sealine connecting the Omati River landfall point on the southern coast of Papua New Guinea to the onshore point located near the capital Port Moresby, on the south-eastern coast of the country, where a new LNG plant will be located;
- work began for Husky Oil China Ltd in China on the EPIC **Liwan 3-1** project encompassing the engineering, procurement, construction and installation of two pipelines, umbilicals, and the transport and installation of a subsea production system linking the wellheads to a processing platform;
- work commenced on the **Ruby Field** project in Indonesia for PearlOil (Sebuku) Ltd. The project comprises the transport and installation of a process and quarters platform, a well-head platform and an interconnecting bridge.

In West Africa:
- the main activities have been completed and pre-commissioning is underway on the **Usan** project for Elf Petroleum Nigeria (Total), relating to the subsea development of the Usan deepwater field, located approximately 160 km south of Port Harcourt in Nigeria. This EPIC contract encompasses 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 two offloading lines, and part of the FPSO anchoring system;
- offshore works are being completed on the EPIC-type **FARM** project for Cabinda Gulf Oil Co Ltd, in Angola, which comprises the construction of 10 flare stacks and modifications to the gas combustion and discharge systems on 14 platforms in Block 0, located off the coast of Cabinda province;
- work is underway for Esso Exploration Angola (Block 15) Ltd on the **Kizomba Satellites Epc3 Tiebacks** project, involving the Kizomba Satellites fields in Block 15 offshore Angola. The scope of work comprises engineering, construction, transport and installation of pipes, umbilicals, risers and subsea systems connecting the Mavacola and Clochas fields to the existing Kizomba A and B FPSOs;
- work is underway for Mobil Producing Nigeria Unlimited on the **Critical Crude Pipeline Replacement** project in Nigeria, involving the fabrication, transportation, installation and testing of 6 replacement pipelines connecting 6 platforms, including shore approach and subsea safety structures;
- engineering and procurement continued offshore Nigeria on the **Bonga North West**, for Shell Nigeria Exploration and Production Co Ltd (SNEPCo). The EPIC 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 began for Total E&P Nigeria Ltd on the **OFON2 - D030** project in Nigeria for new offshore facilities in the Ofon field. The EPIC 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.

In the Baltic Sea, the laying of the first pipeline was completed and operations for the second commenced on the **Nord Stream** project for Nord Stream AG. The contract involves the laying of a gas pipeline composed of two parallel pipes that will link Vyborg in Russia with Greifswald in Germany, as well as dredging, backfilling, testing and pre-commissioning activities.

In the North Sea:
- various structures were installed for ConocoPhillips (**Jasmine jacket**), Statoil (**Gudrun jacket**), Shell (**Oselvar module**), Elf (**West Franklin jacket**) and BP (**Claire Ridge template**);
- work is underway on the EPIC project **York**, for Centrica UK. This involves fabrication, installation and testing of a pipeline, an umbilical and the related connections;
- work is underway on **K4 - Z** project for Total, an EPIC contract involving the engineering, procurement, construction and installation of a pipeline and a piggy back line. The project also includes dredging, backfilling and shore approach;
- work is underway on the **Elgin B** project for Elf Exploration UK, an EPIC contract involving the engineering, procurement, construction and installation of a jacket;
- preparatory work for the 2012 installation campaign was started in connection with contracts for Chevron (**Captain**), Talisman (**Claymore**), BP (**Andrew**), Shell (**Ormen Lange**) and Statoil (**Togi**).

In Russia:
- work began on the subsea development of the **Kirinskoye Gas Condensate** field with Mezhregiontruboprovostroy (MRTS) for Gazprom Dobycha Shelf, as part of the Sakhalin 3 project. The EPIC contract involves the engineering, procurement and installation of subsea structures, planned connections to subsea wells, a network of infield umbilicals and a shore approach, along with survey activities in the field;
- for the Caspian Pipeline Consortium (CPC) in Russia, work began on a contract for the expansion of the facilities of the **CPC marine export terminal** on the Black Sea shores in the Krasnodar region. The development includes the engineering, procurement and installation of a new offshore export pipeline for hydrocarbon transportation and the installation of a new offshore mooring system for hydrocarbon export.

In Azerbaijan, for BP Exploration (Caspian Sea) Ltd, subsea inspection, maintenance and repair works continued on BP offshore infrastructures in the Azeri offshore, including platforms installed by BP in previous years. Meanwhile, for AIOC, as part of the **Chirag Oil Project**, work continued on the construction of the jacket for the new West Chirag platform. Engineering is also underway on two new work scopes encompassing the construction of the jacket and transportation and installation of the jacket and topsides.

In Kazakhstan, for Agip KCO, as part of the programme for the development of the Kashagan field:
- work has been completed in connection with the extension of the **Trunkline and Production Flowlines** project, which comprised engineering, procurement, laying and commissioning of pipelines, fibre optic cables and umbilicals;
- work is underway on the extension of the contract for the **Piles and Flares** project, which encompasses the installation of modular barges, a flare, a number of piperacks, a connecting bridge and various other structures currently under construction in Kuryk;
- work continued on the **Hook Up and Commissioning** project, encompassing the hook-up and commissioning of offshore facilities and pre-fabrication and completion of modules at the Kuryk yard;
- work began on the **New Hook Up, Pre-commissioning and Commissioning assistance** project on island D.

In Brazil, for Petrobras:
- work continued on the **P55-SCR** EPIC contract encompassing the engineering, procurement, 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 Rio de Janeiro state;
- work started on the **Guara & Lula-Nordeste** gas export pipeline project encompassing the transportation, installation and pre-commissioning of two export sealines, as well as the engineering, procurement and construction of related subsea equipment;
- work started on the **Lula NE - Cernambi** EPIC contract for the engineering, procurement, construction and installation of a gas pipeline and related subsea equipment.

For PDVSA Petroleo SA in Venezuela, work commenced 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 the Leased FPSO segment, the following vessels were active during the year:
- 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 Aquila 2 unit on the Eni E&P contract for the procurement and operation of an FPSO for a period of 20 years, the first 8 of which involve exploitation of the **Aquila** well in the Adriatic at a depth of 815 metres.

Offshore fleet at December 31, 2011

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	Multi-purpose mono-hull dynamically positioned crane and pipelay vessel utilized for the development of deepwater fields at depths of up to 2,100 metres, capable of launching 22" diameter pipe in J-lay configuration and lifting structures of up to 600 tonnes.
Saipem FDS 2	Pipelay vessel equipped with a J-lay tower with a capacity of 2,000 tonnes designed to lay up to 36" pipes in both J-lay and S-lay mode in water depths of up to 3,000 metres.
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.
Castoro Otto	Mono-hull derrick pipelay ship capable of laying pipes of up to 60" diameter and lifting structures of up to 2,200 tonnes.
Saipem 3000	Mono-hull, 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 diving support vessel used for deep-water diving operations and works on platforms.
Semac 1	Semi-submersible pipelay barge capable of laying pipe of up to 60" diameter 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 laying pipes in shallow waters.
Castoro 12	Shallow water pipelay barge capable of laying pipe up to 40" diameter in waters of up to 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 up to 40" diameter pipes in ultra-shallow waters (1.4 metres).
Saibos 230	Derrick pipelay barge capable of laying pipe up to 30" diameter, equipped with a mobile crane for piling, marine terminals and fixed platforms.
Ersai 1	Heavy lifting barge equipped with two crawler cranes, capable of carrying out installations whilst grounded on the seabed. The lifting capacities of the two crawler cranes are 300 and 1,800 tonnes, respectively.
Ersai 2	Work barge equipped with a fixed crane capable of lifting structures of up to 200 tonnes.
Ersai 3	Self-propelled workshop/storage barge used as support vessel, with storage space and office space for 50 people.
Ersai 4	Self-propelled workshop/storage barge used as support vessel, with storage space and office space 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 used for storage of S7000 J-lay tower.
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.
Bos 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.
FPSO Aquila 2	FPSO unit with a production capacity of 12,000 barrels a day.

Onshore Engineering & Construction

General overview

The Saipem Group's Onshore Engineering & Construction expertise is centred around 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 infrastructures and environmental markets. In numerous markets, the Company places great emphasis on maximizing local content during project execution.

Market conditions

The political unrest in North Africa and in the Middle East during 2011 limited spare capacity and production levels in a number of countries, especially Libya, thus keeping the price of oil high in spite of the economic crisis, which is contributing to an ongoing climate of uncertainty.
The rise in oil prices also allowed reasonably good levels of activity to be either kept up or recovered in some sectors of the onshore plant construction market (upstream, midstream), with an increase in investment decisions compared to 2010, although these were still lower compared to the 2007-2009 period.
In addition, there was an increase in Front-End Engineering and Design (FEED) services, with the aim of optimizing plant construction costs and times.
Furthermore, the nuclear catastrophe in Japan is leading various countries to review their electricity generation mix. One of the short-term effects of this should be an increase in consumption of conventional energy sources such as oil, gas and coal, with positive knock-on effects in the medium/long-term for oil prices, which should remain high all through to next year.

2011 saw a recovery in new contract awards concentrated in the Asia-Pacific area (specifically Australia, China, Vietnam and the LNG, refining and upstream segments) and the Middle East (mainly in Saudi Arabia, Iran and Qatar and in the upstream and petrochemical segments).

The upstream segment saw the largest number of new contract awards, above all in the Middle East (with major projects awarded in Saudi Arabia, Iran and Qatar), China, North America, CIS (Uzbekistan) and North Africa (Algeria). The sector has good potential for short- to medium-term growth due to the constant need to replace and/or maintain the production levels of gradually declining fields.
Looking ahead, Iraq is one of the most interesting countries, given the huge investment programmes already announced to increase oil production.
With oil prices high, there remain good possibilities for development, including of non-conventional oil fields with many opportunities pinpointed in Canada and Venezuela.

In the gas production segment, the exploitation of new unconventional gas reservoirs in the US and, looking to the future, China and Australia, is becoming increasingly cheap and widespread.
In North America, a veritable 'revolution' has been taking place over the last few years, where the growth in natural gas production levels, above all from non-conventional sources, may see the area go from being an importer to an exporter of gas.
These non-conventional sources could also provide new medium-term opportunities in Europe (if it can be shown that the environmental risks are manageable), where the sizes of reservoirs are comparable to those in North America.

Meanwhile the pipeline segment continued to confirm its strategic importance, with the ongoing award of contracts (a trend that began in 2010) for the construction of gas pipelines, especially in Russia and neighbouring countries, with the current focus being on China.
In 2011, major projects were awarded in the Middle East (Iran) and in the Asia-Pacific area (Australia). In the medium-term, the prospects of new contract awards in the pipeline sector remain good in the Middle East (Iraq and Iran), North America, Asia-Pacific and in the CIS (for export to both Europe and East Asia).

In 2011, the gas liquefaction sector was one of the most buoyant together with upstream and refining. The biggest projects awarded during the year were located in Asia-Pacific (in particular Australia, Indonesia and China), the United States and Iran. Demand for LNG grew in 2011 and further growth is expected, especially after the earthquake in Japan which has led to the replacement with LNG of a part of the energy produced from nuclear sources. Economic growth in the area should facilitate the growth in LNG demand, in Japan, India and China.
Australia is one of the areas of greatest interest in the LNG sector due to the large number of available fields, some of which non-conventional, and their relative proximity to the large Asian markets, primarily China. Other potentially interesting areas include West Africa (Nigeria and Angola) and Russia.

Despite being one of the key sectors over the last few years, with important awards in Asia-Pacific (Vietnam, Philippines) and America (Venezuela, Canada), in 2011 the refining industry contracted significantly in terms of the overall value of projects. The growth in demand for fuel at global level remains modest and concentrated mainly in non OECD countries in which most future projects are expected to emerge. In the OECD countries, on the other hand, in particular Europe, the principal driver in the refining segment will be the rationalization of smaller, technically obsolete refineries and their replacement with a smaller number of larger, more modern plants compliant with the increasingly strict environmental legislation. In the producer nations (especially the Middle East), the driver will continue to be the need to construct giant 'export refineries' to facilitate the development of local industry by keeping most of the added value of products within the specific country.
In the short to medium term, awards are expected to be made in Asia-Pacific (China, India, Malaysia, Indonesia), the Middle East (Saudi Arabia, Iraq, Kuwait, Iran), America (Brazil, Canada, United States), Africa and the CIS (Russia, Ukraine).

The petrochemical sector, which is strongly cyclical in terms of investments, showed signs of recovery in 2011 with the award of important projects in the Middle East (Saudi Arabia, Iran) and in the CIS (Uzbekistan). After the fall-off in 2008-2009, both the demand for products and plant utilization levels have been growing since 2010. Even the surplus production created by the crisis of the last few years has been reduced, thanks to a program of rationalization (which is still underway) of obsolete plants in the United States and in Europe located far from the markets where growth in consumption is highest. In the short to medium term, new projects are expected in particular in Asia Pacific (China, Malaysia, India, Vietnam) and the Middle East (UAE, Saudi Arabia, Qatar), thus confirming the tendency of the industry to shift towards those regions. Further opportunities may arise in North Africa (Egypt), the CIS (Kazakhstan, Russia) and South America. An upswing in activity in North America is also a possibility, in view of the relatively low gas price (expected to remain stable in the medium-term), which makes the construction of new plants feasible.

The fertilizer sector showed a certain degree of recovery in the second half of 2011, with the award of contracts in Asia-Pacific (Malaysia, Indonesia, Australia), the Middle East (Iran) and North Africa (Egypt). Expectations are that the demand for fertilizers will grow and that in the short- to medium-term numerous projects will be awarded in Africa (Nigeria, Algeria), Asia-Pacific (India), South America (Peru, Venezuela, Bolivia), the Middle East (Bahrain, Saudi Arabia, Jordan) and, to a lesser degree, in the CIS.

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

New contracts

The most significant contracts awarded to the Group during 2011 were:
- for Rete Ferroviaria Italiana SpA (part of the Ferrovie dello Stato Group) in Italy, a contract for the detailed engineering, project management and construction of a 39 km section of high-speed railway line and of an additional 12 km of interconnections with the existing conventional railway, along the Treviglio-Brescia section across the Milan, Bergamo and Brescia provinces, as well as all associated works, such as power lines, works to reduce road interference, road crossings and environmental mitigation;
- for Gladstone LNG Operations Pty Ltd in Australia, an EPC contract for the development of a gas pipeline connecting the Bowen and Surat fields to the Gladstone State Area Development (GSDA) near the city of Gladstone, Queensland, where an LNG liquefaction and export plant is due to be built;

- an EPC contract for the engineering, procurement and construction of a Secondary Upgrader plant, as part of the Horizon Oil Sands Hydrotreater Phase 2 project in the Athabasca region in Alberta, Canada, for Canadian Natural Resources Ltd;
- an EPC contract for the expansion of the Tout Lui Faut Refinery, located south of the capital Paramaribo for Staatsolie, in Suriname;
- for Safco in Saudi Arabia, an EPC contract for the engineering, procurement and construction of an urea production plant, together with associated utilities and off-site systems and interconnecting structures to existing plants;
- for the Etihad Rail Company in Abu Dhabi, as the leader of the joint venture including Dodsal Engineering and Construction Pte Ltd and Maire Tecnimont, a contract for 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;
- an EPC contract for the engineering, procurement and construction of the second train of the Independent Power Plant at Afam for the Government of Rivers State in Nigeria;
- a contract for the construction of the Otumara-Saghara-Escravos gas pipeline for Shell Petroleum Development, in Nigeria.

Capital expenditure

Capital expenditure in the Onshore Engineering & Construction sector focused mainly on the acquisition and of equipment and facilities for the base in Iraq, as well as on the acquisition and readying of plant and equipment necessary for the execution of projects.

Work performed

Work in Onshore Engineering & Construction comprised the laying of 889 km of pipe of various diameters and the installation of 353,480 tonnes of equipment.
The most significant works are detailed below by geographical area.

In Saudi Arabia, for Saudi Aramco, construction continued on the EPC contract **Manifa Field** for the construction of the gas/oil separation trains at the Manifa Field in Saudi Arabia. The project encompasses the engineering, procurement and construction of three gas/oil separation trains (GOSP), gas dehydration, crude inlet manifolds and the flare gas system.

In Qatar:
- construction and commissioning activities were completed on the EPC project **Pearl Gas To Liquids (GTL)** for Qatar Shell Ltd, comprising the construction of a waste water treatment plant in the industrial city of Ras Laffan;
- for Qatar Fertiliser Co SAQ, work is underway in the industrial area of Qafco in the city of Mesaieed on the EPC project **Qafco 5 - Qafco 6** comprising engineering, procurement, construction and commissioning of four new ammonia and urea production plants and associated service infrastructure. The plants will form the world's largest ammonia and urea production site.

In the United Arab Emirates:
- activities continued on the EPC contract for Abu Dhabi Gas Development Co Ltd, which is part of the development of the high sulphur content **Shah** sour gas field, encompassing the treatment of 1 billion cubic feet a day of sour gas 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;
- work began for the Etihad Rail Company in Abu Dhabi for the design 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 is being completed for Kuwait Oil Co (KOC) on the EPC contract **BS 160**, 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;
- construction work continued for KOC (Kuwait Oil Co) on the EPC contract for the replacement of the compressors systems at KOC's **Gathering Centres 07, 08 and 21**, in the south of the country. The scope of work consists of engineering, procurement, the demolition and disposal of existing facilities, construction, installation, commissioning, as well as the training of personnel for three new compressors;
- activities continued on the EPC contract **BS 171** for Kuwait Oil Co (KOC), which encompasses the engineering, procurement and construction of a new booster station comprising three high and low-pressure gas trains for the production of dry gas and condensate;
- engineering work started on the EPC **Jurassic** project for Kharafi National, encompassing the engineering, procurement, construction and commissioning of an oil and gas treatment facility for the Jurassic field located in the north of Kuwait. The project also comprises the installation of the gathering system and pipelines and the construction of a sulphur granulation plant.

In Oman, work has been completed for SIDC on the contract to design and construct a deepwater bulk jetty for the loading and unloading of mineral ores at the port of **Sohar**, about 150 kilometres northwest of Muscat.

In Pakistan, work was completed for **Engro Chemical Pakistan Ltd (ECPL)**, on the project for the supply of technology licenses, engineering, procurement and supervisory activities relating to the construction of a plant for the production of ammonia and urea, including all service infrastructures in Daharki, approximately 450 kilometres north-east of Karachi.

In Morocco, in a joint venture with Bouygues Travaux Publics and Bouygues Maroc, work commenced on an EPC contract for the expansion of the Port of Tangiers.

In Algeria, for Sonatrach:
- work was completed on the **Ammonia/Urea Arzew** EPC contract, which comprised engineering, procurement and construction of a marine export terminal for a future urea/ammonia plant to be built near the Algerian city of Arzew, approximately 400 kilometres west of Algiers;
- construction work continued on the EPC contract in Algeria, for the construction of infrastructure of an LPG treatment plant in the **Hassi Messaoud** oil complex. The contract comprises the engineering, procurement and construction of three LPG trains;
- construction work continued on the EPC-type **LNG GL3Z Arzew** contract, which comprises engineering, procurement and construction of a liquefaction plant and the construction of utilities, a generator set and jetty;
- construction work continued on the EPC 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 systems and processing plant and the related export pipelines;
- construction activities continued on the EPC 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 north-eastern coast of the country.

In Nigeria:
- work was completed for Rivers State Government on an EPC contract comprising engineering, procurement, construction and commissioning of an **OCGT** (open-cycle gas turbine) power generation unit, in Port Harcourt;
- work is underway for Total Exploration and Production Nigeria Ltd - TEPNG (operator of the joint venture NNPC/TEPNG) on the EPC contract **OML 58 Upgrade**, which comprises engineering, procurement, construction and commissioning of new units and the demolition and decommissioning of existing units at the gas treatment plants of Obagi and Obite;
- work is ongoing for ChevronTexaco on the EPC-type **Escravos GTL** project. The plant will comprise two parallel trains;
- work is underway for the NNPC/Chevron Nigeria Ltd joint venture on the EPC contract for the **Olero Creek Restoration** project, encompassing the refurbishment of production facilities in the Olero Creek swamp area in Delta State;
- work commenced for the Government of Rivers State on the EPC contract for the engineering, procurement and construction of the second train of the **Independent Power Plant** at Afam;
- work commenced on the contract for the construction of the **Otumara-Saghara-Escravos** gas pipeline for Shell Petroleum Development.

In Italy:
- construction is underway for the Eni Refining & Marketing Division in connection with the first industrial scale application of EST Technology (Eni Slurry Technology), as part of the project for the construction of a refinery at Sannazzaro. EST Technology (to whose development Saipem made a significant contribution) has the capacity to almost completely convert heavy oil residues into lighter products;
- for Rete Ferroviaria Italiana SpA (Ferrovie dello Stato Group) in Italy, work began 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 Congo, work continued for Port Autonome de Pointe Noire on the project for the reconstruction and extension of the **Pointe Noire** Container Quay, encompassing the engineering, procurement and construction of a combi-wall quay and accessory facilities.

In Poland, engineering work continued for Polskie LNG on the **Polskie** EPC contract for a re-gasification terminal on the northwest coast of Poland. The scope of work comprises the engineering, procurement and construction of the regasification facilities, including two 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 two plants;
- works commenced for Canadian Natural Resources Ltd in the Athabasca region, in Alberta, Canada, on the engineering, procurement and construction of a Secondary Upgrader plant, under an EPC contract included in the **Horizon Oil Sands - Hydrotreater Phase 2** project.

In Mexico, work continued for PEMEX on the **Tula and Salamanca** EPC 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 m above sea level near the town of Tula and at the Antonio M Amor refinery, located 1,700 m above sea level near the town of Salamanca.

In Suriname, for Staatsolie, work commenced on the EPC contract encompassing engineering, procurement, fabrication and construction for the expansion of the Tout Lui Faut Refinery, located south of the capital Paramaribo.

In Australia:
- construction is underway for Chevron on the **Gorgon LNG** jetty and marine structures EPC 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;

- work began for Gladstone LNG Operations Pty Ltd in Australia on the EPC contract for **Gladstone LNG** involving the development of a gas pipeline connecting the Bowen and Surat fields to the Gladstone State Development Area (GSDA) near the city of Gladstone, Queensland, where an LNG liquefaction and export plant is due to be built.

Offshore Drilling

General overview

The principal vessels in the Group's fleet are: the Saipem 12000, a drillship capable of working at depths of up to 3,600 metres using its dynamic positioning system; the Saipem 10000, a drillship capable of working at depths of up to 3,000 metres using its dynamic positioning system; Scarabeo 9, an innovative sixth generation drilling rig for ultra-deep water, capable of operating in water depths of up to 3,650 metres and drilling to depths of up to 15,200 metres; Scarabeo 7, a semi-submersible vessel capable of operating at depths of up to 1,500 metres; and Scarabeo 5, a fourth generation semi-submersible vessel, capable of working at depths of over 1,800 metres and drilling to a depth of 9,000 metres.
The fleet also includes three semi-submersible rigs, seven jack-ups, a TAD (Tender Assisted Drilling) unit and the Scarabeo 8, a deep-water semi-submersible platform, currently under completion.
In the Offshore Drilling sector, in 2011, the Group operated in West and North Africa, the Gulf of Suez, the Persian Gulf, Australia, Mozambique, Norway, Peru, Indonesia, Italy and East Timor.

Market conditions

After a period characterized by post-Macondo uncertainty, the subsequent delays in the issue of permits in the Gulf of Mexico, the Arab Spring and the fears of recession linked with sovereign debt in Europe, the offshore drilling sector began to grow again during 2011 (a 6% increase in the active world fleet, despite the fall-off in the United States), bolstered by sustained oil prices.
In 2011, the overall number of jack-ups under contract increased compared to the previous year, especially in the North Sea, thus facilitating the absorption of the new capacity that entered the market. Globally, utilization rate trends are on the rise in areas such as South East Asia and the North Sea. The trend registered over the last few years, which has seen a slump in utilization rates for older less efficient jack-ups and growth in utilization rates for cutting edge, high spec jack-ups, which are attracting higher day rates than standard jack-ups, was confirmed during 2011.
The year also saw an increase in the number of active drillships, with a high fleet utilization rate and a strong increase in activities in Brazil and West Africa. The positive trend should continue over next year, thus facilitating at least partial absorption of the new production capacity expected to enter into service during 2012.
The number of semi-submersibles active in 2011 remained substantially unvaried compared to 2010, with high utilization rates for deepwater vessels, especially in South America and the North Sea.
Day rates for drillships grew compared to 2010, while those for semi-submersibles remained fairly stable.
The number of vessels under construction but still without any contracts continues to be high, above all in the jack-up sector, where rates will depend on developments in demand and the removal from service of older vessels over the next few years.

New contracts

The most significant contracts awarded to the Group during 2011 were:
- a 24 month extension, starting from August 2012, of the charter of the drillship Saipem 10000 by Eni;

- a 24 month extension, from August 2015, of the charter of the drillship Saipem 12000 by Total E&P Angola;
- a 36 month extension of the charter of the jack-up Perro Negro 7 by Saudi Aramco;
- the charter by Chevron of the jack-up Perro Negro 6 for drilling activities in Angola for a period of 3 years;
- a 12 month extension of the charter of the jack-up Perro Negro 8 by Saudi Aramco;
- a 12 month extension consisting of two six-month options of the charter by Addax Petroleum of the semi-submersible drilling platform Scarabeo 3 in Nigeria;
- a 12 month extension by NDC (National Development Co) of the charter of the jack-up Perro Negro 2, starting from the second quarter of 2011;
- a 3 month charter by Total of the jack-up Perro Negro 6, to carry out drilling operations in Angolan waters.

Capital expenditure

The most significant items of capital expenditure in the Offshore Drilling sector were:
- the completion of construction of the deep-water semi-submersible platform Scarabeo 9, which will operate in the Gulf of Mexico on behalf of Repsol;
- the continuation of construction on the deep-water semi-submersible platform Scarabeo 8, which will operate in Norway on behalf of Eni Norge;
- class reinstatement works and investments made on the fleet to ensure compliance with international regulations and to customise vessels to client-specific requirements.

Work performed

Activities comprised the drilling of 64 wells, totalling approximately 177,725 metres drilled.
The newly constructed deep-water drillship **Saipem 12000** continued operations on a long-term contract offshore Angola for Total Exploration & Production.
The deep-water drillship **Saipem 10000** completed operations for Eni in East Timor offshore Australia and Indonesia and moved to Mozambique where it commenced operations for the same client.
The semi-submersible platform **Scarabeo 3** continued operations in Angola for Addax Petroleum.
The semi-submersible platform **Scarabeo 4** continued to operate in Egypt for International Egyptian Oil Co (IEOC).
The semi-submersible platform **Scarabeo 5** continued operations offshore Norway for Statoil.
The semi-submersible platform **Scarabeo 6** continued drilling operations in Egypt for Burullus Gas Co.
The semi-submersible platform **Scarabeo 7** continued to operate in Angola for Eni Angola.
The jack-up **Perro Negro 2** completed operations in Abu Dhabi for Total Abu Bukhoosh and began operations in April in the United Arab Emirates for National Drilling Co.
The jack-up **Perro Negro 3** continued drilling operations in the Persian Gulf for Harrington Dubai.
The jack-up **Perro Negro 4** continued operations in Egypt for Petrobel.
The jack-up **Perro Negro 5** continued operations in Saudi Arabia for Saudi Aramco.
The jack-up **Perro Negro 6** continued operations in Angola for Sonangol.
The jack-up **Perro Negro 7** continued operations in Saudi Arabia for Saudi Aramco.
The newly constructed jack-up **Perro Negro 8** continued to operate in Italy for Eni Exploration & Production Division.
The **Packaged 5820** installation initially continued operations in Libyan waters for Mabruk Oil Operations Co. Work was then suspended as of March, with the client's agreement, for reasons of security.

In Congo, the new tender assisted rig **TAD 1** continued drilling operations for Eni Congo SA.
Also in Congo, workover and maintenance works continued on the fixed platforms owned by Eni Congo SA.

In Peru, for Savia SA (formerly Petrotech), 3 rigs performed 161 workover and pulling operations, while 3 tender assisted rigs drilled 9 wells.

Utilization of vessels

Vessel utilization in 2011 was as follows:

Vessel	Days under contract
Semi-submersible platform Scarabeo 3	335 [1]
Semi-submersible platform Scarabeo 4	365
Semi-submersible platform Scarabeo 5	297 [1] [2]
Semi-submersible platform Scarabeo 6	352 [2]
Semi-submersible platform Scarabeo 7	365
Drillship Saipem Saipem 10000	365
Drillship Saipem Saipem 12000	355 [2]
Jack-up Perro Negro 2	365
Jack-up Perro Negro 3	365
Jack-up Perro Negro 4	365
Jack-up Perro Negro 5	365
Jack-up Perro Negro 6	365
Jack-up Perro Negro 7	305 [1]
Jack-up Perro Negro 8	365
Tender Assisted Drilling Unit	365

(1) For the remaining days (to 365), the vessel underwent class reinstatement works.
(2) For the remaining days (to 365), the vessel underwent maintenance following the emergence of technical issues.

Onshore Drilling

General overview

In the Onshore Drilling sector, the Saipem Group operated in 2011 in Italy, Algeria, Brazil, Bolivia, Colombia, Congo, Ecuador, Kazakhstan, Peru, Saudi Arabia, Ukraine and Venezuela.

Market conditions

Despite the macro economic uncertainty and the volatility that is characteristic of this market, in 2011 the Onshore Drilling sector showed a positive trend, driven above all by a favourable oil price environment.
Intense activity continued in the United States and Canada with a significantly higher number of active vessels compared to 2010 and average utilization levels in 2011 up compared to the pre-crisis levels of 2008. Day rates also recovered during 2011.
In the rest of the world, which recovered from the impact of the 2009 crisis in 2010, levels of activity increased further during the year. The most dynamic areas were Latin America, the Middle East and North Africa. The most significant increase in terms of active rigs compared to 2010 was in Europe, following the recent discoveries of non-conventional shale gas reservoirs.
In addition to the increase in fleet utilization, the year saw a consolidation of day rates, which were more or less in line with 2010.

New contracts

The most significant contracts awarded to the Group during 2011 were:
- a contract for the charter by Saudi Aramco of 9 rigs in Saudi Arabia for durations of between one to three years;
- for various clients, contracts for the charter of 14 rigs in Peru, Colombia and Bolivia for durations of between 4 months and 2 years;
- for Ural Oil and Samek, 2 contracts for the charter in Kazakhstan of 2 drilling rigs for a duration of 4 and 12 months, respectively;
- for several clients, contracts and extensions to existing contracts of varying duration for the use of 13 rigs in South America, North and West Africa and Kazakhstan;
- contracts for the charter by various clients of 14 rigs in Algeria, South America and Ukraine, with durations ranging from two to thirty-six months.

Capital expenditure

Capital expenditure in the Onshore Drilling sector included:
- the conclusion of construction works on a new rig due to operate in Kazakhstan for Agip KCO;
- the purchase of two new rigs due to operate in Saudi Arabia and South America;
- upgrading and integration works on rigs and installations to maintain operational efficiency.

Work performed

Activities comprised 307 wells, totalling approximately 984,949 metres drilled.

In **Italy**, onshore drilling operations were performed on behalf of Eni Exploration & Production utilizing an extended-reach drilling and workover rig in the province of Potenza, which was then transferred to Colombia at the end of the year. A second rig continued drilling operations for Total Italia in the province of Matera.

In **Saudi Arabia**, 9 rigs operated for Saudi Aramco and 1 for South Rub Al-Khali Co Ltd.

In **Algeria**, 7 rigs operated for First Calgary Petroleum, Gazprom, ConocoPhillips, Groupement Sonatrach Agip and PTT EP.

In **Congo**, 2 rigs operated for Eni Congo.

In **Peru**, the Group has 8 drill rigs and 13 work over and pulling rigs and also operates 6 workover and pulling rigs owned by third-parties. The drill rigs drilled 27 wells for Petrominerales, Pluspetrol, Interoil, Repsol, Sapet, Savia SA, BPZ Resources, Talisman and Petrobras, while a total of almost 1,255 workover and pulling operations were carried out for Pluspetrol, Petrobras, Savia SA (formerly Petrotech) and Interoil.

In **Venezuela**, the Group has 24 drill rigs and 4 workover and pulling rigs. The drill rigs drilled a total of 111 wells, mainly for PDVSA, but also for Petroquiriquire and Baripetrol, while a total of 113 workover and pulling operations were carried out for PDVSA.

In **Colombia**, 7 rigs drilled 64 wells for Petrolifera, Pacific Rubiales, Hocol, Parex, Ecopetrol, Winchester, Oxy Colombia, Petrominerales and Occidental.

In **Brazil**, 3 rigs drilled 17 wells for Petrobras.

In **Ecuador**, 2 rigs drilled 11 wells for Agip Oil Ecuador and Repsol.

In **Bolivia**, 2 rigs drilled 4 wells for YPFB Andina, while a third rig is currently being readied for operations.

In **Kazakhstan**, workover operations continued on behalf of Karachaganak Petroleum Operating (KPO) in the province of Uralsk. Two additional rigs chartered from the US company Parker were used.
Also in Uralsk province, a medium-high power rig continued operations for Zhaikmunai Llp, while a second rig completed operations for United Orogen Ltd on a contract to drill 2 wells and then commenced work on the drilling of three wells for Zhaikmunai Llp.
In Aktobe province, a high power rig completed 2 wells for Oiltechgroup and commenced operations on 2 others for SAMEK. Two newly constructed rigs operated for Agip KCO on a contract to drill 14 wells.
Decommissioning and transportation operations continued for EMKI (ExxonMobil Kazakhstan Inc) on 2 rigs owned by the client. One of the rigs will be converted and mobilised from Kashagan D-Island to another island.

In **Ukraine**, 1 rig operated on behalf of Cadogan.

Utilization of equipment

Average utilization of rigs was 96.1% (94% in 2010). At December 31, 2011, Company-owned rigs amounted to 91, located as follows: 28 in Venezuela, 21 in Peru, 10 in Saudi Arabia, 8 in Colombia, 7 in Algeria, 5 in Kazakhstan, 3 in Brazil, 3 in Bolivia, 2 in Congo, 2 in Ecuador, 1 in Italy and 1 in Ukraine. In addition, 6 third-party rigs were deployed in Peru, and 4 third-party rigs in Kazakhstan (2 of which by the joint venture SaiPar).

Financial and economic results

Results of operations

Saipem Group - Income statement

Year 2010	(€ million)	Year 2011	% Ch.
11,160	**Operating revenues**	**12,593**	**12.8**
14	Other revenues and income	21	
(7,711)	Purchases, services and other costs	(8,729)	
(1,627)	Payroll and related costs	(1,750)	
1,836	**Gross operating profit (EBITDA)**	**2,135**	**16.3**
(517)	Depreciation, amortization and impairment	(642)	
1,319	**Operating profit (EBIT)**	**1,493**	**13.2**
(110)	Net finance expense	(133)	
13	Net income from investments	19	
1,222	**Adjusted profit before income taxes**	**1,379**	**12.8**
(344)	Income taxes	(392)	
878	**Adjusted profit before minority interest**	**987**	**12.4**
(50)	Net profit attributable to minority interest	(66)	
828	**Adjusted net profit**	**921**	**11.2**
17	Gains on disposals	-	
(1)	Taxation	-	
844	**Net profit**	**921**	**9.1**

Net sales from operations for 2011 amounted to €12,593 million, up 12.8% compared to 2010, due to greater volumes generated in all sectors of activity.

Gross operating profit (EBITDA) amounted to €2,135 million, a 16.3% increase versus 2010, reflecting a very good operating performance.

Depreciation and amortization of tangible and intangible assets amounted to €642 million, representing a significant increase (24.2%) compared with the previous year, mainly due to new rigs entering into service, particularly in the Offshore Drilling sector.

Operating profit (EBIT) for 2011 stood at €1,493 million, a €174 million (13.2%) increase over the previous year. This figure is analyzed in detail in the subsequent sections describing the performance of the various business units.

Net finance expense increased by €23 million compared with 2010, mainly due to a reduction in capitalized expenses and a slight increase in the cost of borrowing.

Net income from investments amounted to €19 million, an increase compared with 2010, as a result of the successful completion of a project by an associate company.

Adjusted profit before income taxes stood at €1,379 million, up 12.8% compared to 2010.

Income taxes amounted to €392 million, an increase of €48 million compared to 2010, due to an increase in taxable income and in the tax rate, which rose from 28.2% in 2010 to 28.4% in 2011.

Adjusted net profit totalled €921 million, an increase of 11.2% versus 2010.

Operating profit and costs by function

Year 2010	(€ million)	Year 2011	% Ch.
11,160	**Operating revenues**	**12,593**	**11.8**
(9,361)	Production costs	**(10,608)**	
(131)	Idle costs	**(134)**	
(143)	Selling expenses	**(158)**	
(12)	Research and development costs	**(12)**	
(10)	Other operating income (expenses)	**(4)**	
(184)	General and administrative expenses	**(184)**	
1,319	**Operating profit (EBIT)**	**1,493**	**13.2**

In 2011, the Saipem Group achieved **net sales from operations** of €12,593 million, an increase of €1,433 million compared to the previous year.
Production costs (which include direct costs of sales and depreciation of vessels and equipment) totalled €10,608 million (€9,361 million in 2010). This significant rise was in line with the increase in sales volumes.
Idle costs increased by €3 million. Selling expenses of €158 million registered an increase of €15 million compared to 2010, as a consequence of an increase in sales activities, in particular in the Offshore and Onshore E&C sectors.
Research and development costs of €12 million and general and administrative expenses of €184 million were in line with the previous year's figures.
Operating profit (EBIT) increased by 13.2% compared to 2010.

The analysis by business sector is as follows:

Offshore Engineering & Construction

(€ million)	Year 2010	Year 2011
Operating revenues	4,486	**5,075**
Cost of sales	(3,654)	**(4,134)**
Gross operating profit (EBITDA)	832	**941**
Depreciation and amortization	(219)	**(255)**
Operating profit (EBIT)	613	**686**

Revenues for 2011 amounted to €5,075 million, a 13.1% increase compared to 2010, mainly due to higher levels of activity in Northern Europe, Kazakhstan and Asia-Pacific.
The increase in the cost of sales compared to 2010 was due to an increase in operating activities.
Depreciation and amortization rose by €36 million compared to 2010, mainly due to the FD2 vessel and the Karimun Yard commencing operations.
Operating profit for 2011 amounted to €686 million, equal to 13.5% of revenues, compared to €613 million, equal to 13.7% of revenues, in 2010. The EBITDA margin stood at 18.5%, which is in line with 2010.

Onshore Engineering & Construction

(€ million)	Year 2010	Year 2011
Operating revenues	5,236	**5,945**
Cost of sales	(4,827)	**(5,427)**
Gross operating profit (EBITDA)	409	**518**
Depreciation and amortization	(39)	**(35)**
Operating profit (EBIT)	370	**483**

Revenues for 2011 amounted to €5,945 million, a 13.5% increase compared to 2010, mainly due to higher levels of activity in the Middle East, Canada and Australia.
The cost of sales of €5,427 million increased compared with 2010, in line with the rise in volumes.
Depreciation and amortization were down slightly (€4 million).

Operating profit amounted to €483 million compared to €370 million in 2010, with profitability growing from 7.1% to 8.1%. The EBITDA margin stood at 8.7%, compared to 7.8% in 2010, owing mainly to good operational efficiency.

Offshore Drilling

(€ million)	Year 2010	Year 2011
Operating revenues	750	**833**
Cost of sales	(348)	**(390)**
Gross operating profit (EBITDA)	402	**443**
Depreciation and amortization	(144)	**(221)**
Operating profit (EBIT)	258	**222**

Revenues for 2011 amounted to €833 million, representing an 11.1% increase on 2010, attributable mainly to the full-scale deployment of the drillships Saipem 10000 and Saipem 12000 and the jack-up Perro Negro 8, which offset the maintenance downtime registered by the semi-submersible rig Scarabeo 5.
The cost of sales increased by 12.1% compared to 2010.
This reflected an increase in volumes.
Depreciation and amortization increased by €77 million versus 2010, due to the full-scale deployment of vessels that had undergone preparatory works in 2010, the full scale deployment of the drillship Saipem 12000 and the jack-up Perro Negro 8 and the write down of equipment on the Scarabeo 8.
Operating profit for 2011 amounted to €222 million, compared to €258 million in 2010, with the margin on revenues decreasing from 34.4% to 26.7%, mainly due to the increase in depreciation and to maintenance downtime of the semi-submersible rig Scarabeo 5. The EBITDA margin was essentially in line with the figure recorded in 2010 (53.2% versus 53.6%).

Onshore Drilling

(€ million)	Year 2010	Year 2011
Operating revenues	688	**740**
Cost of sales	(495)	**(507)**
Gross operating profit (EBITDA)	193	**233**
Depreciation and amortization	(115)	**(131)**
Operating profit (EBIT)	78	**102**

Revenues for 2011 amounted to €740 million, a 7.6% increase compared to 2010, due mainly to full-scale activity on rigs in South America and the entering into service of new rigs in Kazakhstan.
The cost of sales increased by 2.4% compared to 2010.
The increase in depreciation and amortization was due to new rigs entering into service.
Operating income amounted to €102 million compared to €78 million in 2010, with the margin on revenues rising from 11.3% to 13.8%. EBITDA margin stood at 31.5% compared to 28.1% in 2010, owing mainly to increased operational efficiency and to a greater use of rigs.

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 analyze its sources of funds and investments in fixed assets and working capital.

(€ million)	Dec. 31, 2010		Dec. 31, 2011	
Net tangible assets		7,403		**8,024**
Net intangible assets		760		**752**
		8,163		**8,776**
- Offshore Engineering & Construction	*3,617*		***3,851***	
- Onshore Engineering & Construction	*444*		***464***	
- Offshore Drilling	*3,204*		***3,550***	
- Onshore Drilling	*898*		***911***	
Investments		105		**102**
Non-current assets		**8,268**		**8,878**
Net current assets		**(658)**		**(663)**
Provision for employee benefits		(193)		**(200)**
Capital employed, net		**7,417**		**8,015**
Shareholders' equity		4,060		**4,709**
Minority interest		94		**114**
Net borrowings		3,263		**3,192**
Funding		**7,417**		**8,015**
Leverage (net borrowings/shareholders' equity including minority interest)		**0.80**		**0.68**
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 61.

Management uses the reclassified consolidated balance sheet to calculate key ratios such as Return On Average Capital Employed (ROACE) and the proportion of net borrowings to shareholders' equity (leverage), which is used to evaluate whether Saipem's financing structure is sound and well-balanced.

At December 31, 2011, **non-current assets** stood at €8,878 million, an increase of €610 million compared to December 31, 2010. This increase is due to capital expenditure of €1,199 million, depreciation and amortization of €642 million, disposals of fixed assets and write offs of €7 million, disposals of investments of €7 million, and the positive effect on non-current assets deriving mainly from the translation of financial statements in foreign currencies and other changes of €67 million.

Net current assets were more or less unvaried, falling slightly by €5 million from negative €658 million at December 31, 2010 to negative €663 million at December 31, 2011.

The **provision for employee benefits** amounted to €200 million, up €7 million compared with December 31, 2010.

As a result of the above, net capital employed at December 31, 2011 stood at €8,015 million, an increase of €598 million compared to €7,417 million at December 31, 2010.

Shareholders' equity, including minority interest, increased by €669 million to €4,823 million at December 31, 2011, from €4,154 million at December 31, 2010. This increase reflected net profit for the year of €987 million and the positive effects arising from the translation into euro of financial statements expressed in foreign currencies and from other variations of €64 million, which was partially offset by dividend distribution of €319 million and by the fair value measurement of exchange and interest rate and commodity hedging instruments of €63 million.

The increase in **net capital employed** was, therefore, more than compensated for by the increase in shareholders' equity. This led to a decrease in net borrowings of €71 million which, at December 31, 2011, stood at €3,192 million, compared to €3,263 million at December 31, 2010.

Analysis of net borrowings

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Financing receivables due after one year	(3)	**(2)**
Payables to banks due after one year	200	**200**
Payables to other financial institutions due after one year	2,687	**2,376**
Net medium/long-term debt	**2,884**	**2,574**
Accounts c/o bank, post and Group finance companies	(923)	**(1,022)**
Cash and cash on hand	(7)	**(7)**
Financing receivables due within one year	(20)	**(75)**
Payables to banks due within one year	284	**94**
Payables to other financial institutions due within one year	1,045	**1,628**
Net short-term debt	**379**	**618**
Net borrowings	**3,263**	**3,192**

The fair value of derivative assets (liabilities) is detailed in Note 6 'Other current assets', Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities'. Net borrowings include the fair value of interest rate swap assets/liabilities.

A breakdown by currency of gross debt, amounting to €4,298 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, 2010	Dec. 31, 2011
Net profit for the year	**894**	**987**
Other items of comprehensive income:		
- change in the fair value of cash flow hedges (1)	(94)	**(69)**
- investments carried at fair value	-	**(1)**
- exchange rate differences arising from the translation into euro of financial statements currencies other than euro	52	**45**
- other changes	1	**-**
- income tax relating to other items of comprehensive income	20	**6**
Other items of comprehensive income	**(21)**	**(19)**
Total comprehensive income	**873**	**968**
Attributable to:		
- Saipem	818	**897**
- minority interest	55	**71**

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

Shareholders' equity

(€ million)	
Shareholders' equity including minority interest at December 31, 2010	**4,154**
Total comprehensive income	968
Dividend distribution	(319)
Sale of treasury shares	11
Cost related to stock options	1
Other changes	8
Total changes	**669**
Shareholders' equity including minority interest at December 31, 2011	**4,823**
Attributable to:	
- Saipem	4,709
- minority interest	114

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

	Shareholders' equity		Net profit	
(€ million)	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**
As reported in Saipem SpA's financial statements	**1,075**	**1,314**	**85**	**520**
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 financial statements	2,672	**2,976**	862	**340**
Consolidation adjustments, net of effects of taxation:				
- difference between purchase cost and underlying book value of net equity	825	**826**	(1)	**(1)**
- elimination of unrealized intercompany profits	(291)	**(350)**	21	**(53)**
- other adjustments	(127)	**57**	(73)	**181**
Total shareholders' equity	**4,154**	**4,823**	**894**	**987**
Minority interest	(94)	**(114)**	(50)	**(66)**
As reported in the consolidated financial statements	**4,060**	**4,709**	**844**	**921**

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)	2010	2011
Net profit	844	**921**
Minority interest	50	**66**
Adjustments to reconcile cash generated from operating profit before changes in working capital:		
Depreciation, amortization and other non-monetary items	531	**627**
Net (gains) losses on disposal and write-off of assets	(17)	**2**
Dividends, interests and income taxes	382	**483**
Net cash generated from operating profit before changes in working capital	**1,790**	**2,099**
Changes in working capital related to operations	(220)	**(174)**
Dividends received, income taxes paid, interest paid and received	(246)	**(376)**
Net cash flow from operations	**1,324**	**1,549**
Capital expenditure	(1,545)	**(1,106)**
Investments and purchase of consolidated subsidiaries and businesses	(4)	**(93)**
Disposals	53	**18**
Other cash flow related to capital expenditures, investments and disposals	-	**49**
Free cash flow	**(172)**	**417**
Borrowings (repayment) of debt related to financing activities	41	**(52)**
Changes in short and long-term financial debt	259	**20**
Sale of treasury shares	35	**11**
Cash flow from capital and reserves	(263)	**(297)**
Effect of changes in consolidation and exchange differences	44	**-**
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**(56)**	**99**
Free cash flow	**(172)**	**417**
Sale of treasury shares	35	**11**
Cash flow from capital and reserves	(263)	**(297)**
Exchange differences on net borrowings and other changes	(18)	**(60)**
CHANGE IN NET BORROWINGS	**(418)**	**71**

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 61.

Net cash flow from operations (€1,549 million) fully funded capital expenditures, thus generating a positive free cash flow of €417 million.
Cash flow from capital and reserves, which amounted to a negative €297 million, were due to the payment of dividends.
The sale of treasury shares for incentive schemes for senior managers generated a positive cash flow of €11 million, while the effect of exchange differences on net borrowings and other changes produced a net outflow of €60 million.
As a result, **net borrowings** decreased by €71 million.

In particular:
Net cash generated from operating profit before changes in working capital of €2,099 million related to:
- net profit for the year of €987 million, including minority interest of €66 million;
- depreciation, amortization and impairment of tangible and intangible assets of €642 million, the change in the provision for employee benefits (€7 million) less other changes of €22 million;
- net gains on the disposal of assets, which had a positive effect of €2 million;

- net finance expense of €102 million and income taxes of €285 million.

The change in working capital related to operations of €174 million was due to financial flows of projects underway.

Dividends received, interest paid and income taxes paid and received during 2011 of €376 million were mainly related to taxes paid and refunded and to the purchase and sale of tax credits.

Investments in tangible and intangible assets and in shareholdings amounted to €1,199 million. Details of investments by sector are as follows: Offshore Engineering & Construction (€509 million), Offshore Drilling (€509 million), Onshore Drilling (€122 million) and Onshore Engineering & Construction (€59 million). Additional information concerning capital expenditure in 2011 can be found in the 'Operating Review' section.

Cash flow generated by disposals amounted to €18 million.

Key profit and financial indicators

Return On Average Capital Employed (ROACE)

Return On Average Capital Employed is calculated as the ratio between adjusted net profit before 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 €2,312 million at December 31, 2010 and €2,308 million at December 31, 2011.

		2010	**2011**
Adjusted net profit	(€ million)	878	**987**
Exclusion of net finance expense (net of tax effect)	(€ million)	80	**96**
Unlevered net profit	(€ million)	958	**1,083**
Capital employed, net:	(€ million)		
- at the beginning of the year		6,340	**7,417**
- at the end of the year		7,417	**8,015**
Average capital employed, net	(€ million)	6,879	**7,716**
Adjusted ROACE	(%)	**13.9**	**14.0**
Return On Average Operating Capital	(%)	**20.8**	**20.0**

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. Management's objective is to achieve a leverage ratio no higher than 0.5 during the period of implementation of the four-year plan.

	2010	**2011**
Leverage	0.80	**0.68**

Sustainability

In 2011, Saipem divided its external sustainability reporting between two publications with different objectives and target audiences. Benchmarking analysis of competitors, clients (national and international oil companies), the financial community and the main sustainability indexes has highlighted the need to provide external stakeholders, as the main users of the Sustainability Report, with detailed, comparative and easy-to-read information regarding the Company's sustainability performance and to ensure appropriate levels of visibility to those themes which, given the nature of the Company's business, have a higher level of materiality than other issues.
To this end, the 2011 Annual Report comes with an appendix entitled 'Saipem Sustainability Performance 2011', which supplies details on Saipem's sustainability performance. **Saipem Sustainability Performance 2011** has been drawn up according to the international guidelines of the Global Reporting Initiative (GRI), thus ensuring transparent disclosure of the Company's performance and comparability with other market players.
The document reports on all relevant sustainability indicators, where necessary providing comparative historical data, and functions as an index for the information described in detail in this Annual Report, in the Corporate Governance Report and in other public documents dedicated to specific topics. Saipem Sustainability Performance 2011 is available on the Company website www.saipem.com.

Saipem Sustainability 2011 is the second document published as part of the Group's sustainability reporting. It describes Saipem's undertakings and results achieved on themes of special interest for its stakeholders. These include:
- maximizing Local Content as a tool and objective for making a concrete contribution to the development of host communities and areas;
- commitment in the management of HSE related topics to safeguarding people and the environment;
- leveraging and developing our human capital as the Company's principal asset, while respecting all the differences present in Saipem's working population;
- relations with local areas and communities, a mainstay of Saipem's stable presence in over 70 countries worldwide;
- efficiency, in terms of meeting Client expectations, underpinned by a strong industrial model, targeted investments and a propensity for 'frontier' projects.

Saipem Sustainability 2011 outlines Saipem's distinctive characteristics which ensure a competitive edge for the Company and meet stakeholder expectations in terms of sustainable development. It also focuses on countries where the Company operates, supplying concrete examples of how Saipem's sustainability strategies are transformed into actions on the ground. The document is available on the Company website www.saipem.com.
2011 also saw the continuation of local stakeholder communication initiatives with the publication of Sustainability Case Studies on countries where a local presence is key and on significant projects. The new Case Study on Algeria was published during the year, while those on Congo and Angola are currently being prepared for publication.
Meanwhile, studies proceeded apace to quantify the externalities (indirect and induced impacts) generated in the areas in which Saipem operates through the strategy of maximizing Local Content in terms of their contribution to socio-economic development. This approach seeks to facilitate sustainable development and the creation of economic wellbeing by promoting local employment, the professional growth of local resources and the development of suppliers. Two further assessments were completed during the year in Algeria and Nigeria, and one is currently underway in Indonesia, at the Karimun Yard. Details of the results obtained are available in the document Saipem Sustainability 2011 and in the Case Studies on specific countries.
Sustainability projects in local communities continued during the year with the implementation of support programmes for business growth (especially in Kazakhstan and Peru) and the improvement of education and health facilities (Indonesia, Algeria, Angola, Azerbaijan, Kazakhstan, South America and West Africa) which included programmes to promote health and facilitate improvements in the local education system, in some cases in partnership with local institutions. The development of human resources also continued to be a core theme of support initiatives in host communities.
Further information on sustainability strategies, programmes and actions implemented during 2011 are detailed in the document Saipem Sustainability 2011 and are also published on the Company website.
The Sustainability Committee[1], which exercises a sustainability strategy setting role, met twice in an official capacity during 2011 and discussed sustainability programmes and approved the 2010 Sustainability Report.
Saipem was again listed in the FTSE4Good index for all 2011.
It was also included on the Dow Jones Sustainability Index (DJSI) for Europe and selected for listing in the Ethibel EXCELLENCE Investment Register. Finally, for the third year running, Saipem was recognized as a 'Sustainability Leader' in the Oil Equipment & Services sector in the SAM Sustainability Yearbook 2011.

(1) The Sustainability Committee is chaired by the Chief Executive Officer and consists of all the SVPs of the Corporate functions, the Deputy CEO, the Chief Operating Officers of the Business Units and the SVP of Integrated Projects.

Research and development

Innovation and technology during 2011 consisted mainly of work to address the new challenges of deep and ultra-deep water and floating liquefaction facilities, the development of new methods and equipment for sealine laying and trenching in critical conditions, the reduction of the environmental impact during installation and subsea emergency intervention on exploration and production facilities, the improvement of proprietary process technologies, the extension of the Company's portfolio of environmental services, the development of the onshore and offshore renewable energy sector and high-level technological collaborations with research centres and other industry players.

In the deepwater area, important milestones were reached in the development of innovative subsea processing systems initiated during previous years.

The development of the patented technology 'Multipipe gas/liquid gravity separation system' made another step forward in the frame of a JIP (Joint Industry Project) supported financially by a number of major oil companies. This JIP aims to define the entire subsea station and assess the maturity of all its individual components, with a particular focus on construction.

The development of the 'liquid/liquid gravity spool separation system' is proceeding apace: after a pre-design phase, an initial performance stage was launched, while functional testing will take place in the second half of 2012.

The preliminary design of subsea produced water solutions was executed and presented to oil companies and at international conferences. The first qualification phase of these systems has been completed, with positive results for applications in deep and ultra-deep waters.

In the SURF (Subsea, Umbilicals, Risers e Flowlines) area, significant progress was also made on the development of innovative solutions identified in previous years, which promise to open up new markets for the Company in terms of subsea field development.

For applications in medium water depths (300 to 500 m), the design of riser solutions using steel and titanium is moving ahead. A feasibility study has been successfully completed and development is now focused on installation procedures.

Innovative solutions of floating and thermal insulation materials for SURF applications are in the development phase and will soon enter the qualification phase. Progress was also made on the design of active heating solutions for flowlines.

In the field of innovative floaters and associated systems, work carried out during the year concentrated on the design of an offshore tandem LNG offloading system using floating cryogenic hoses. Carried out in association with industrial partners, this work reached a new milestone at the end of 2011 with the launch of the qualification phase of the entire system.

Furthermore, the development of the 'dry-tree production unit' (wellhead barge - WHB®) proceeded positively with its qualification by one of the major oil companies. This concept, which is particularly suited to the development of fields in deep waters in moderate marine weather conditions, is being considered for offshore application in West Africa.

In the sealine trenching area, work focused on the mitigation of environmental impact and the restoration of marine protected areas. The year also saw studies and tests on restoration of the Posidonia beds using propagation and transplantation techniques.

A number of functionalities of the trenching and backfilling equipment used on the Kashagan project were subjected to further development and testing with the aim of reducing the turbidity generated during installation. Furthermore, studies commenced to develop a new trenching and pipeline installation method characterized by low environmental impact.

In sealine laying operations, the qualification tests of a new S-lay field joint coating system were concluded. Application of this technology was also successfully validated for J-lay joints. Preliminary application studies for a new welding process on board pipelay vessels were also commenced.

Moreover, studies were completed on a new, high-capacity pipeline abandonment and recovery system as well as on an improved pipe offloading system, while endeavours to increase pipe towing capacity and monitoring pipeline integrity during launch proceeded apace.

Studies to prevent the flooding of trunk lines during the laying phase were started and the first validation tests were completed on critical components.

Studies were also conducted during the year on developing systems capable of an emergency response in the event of oil spills from exploration and production facilities, as were studies of operations in the Arctic regions.

Process development activities focused on the achievement of continuous improvements in the environmental compatibility of proprietary fertilizer production technology 'Snamprogetti™ Urea', licensed to date to 121 units world-wide.

Attention is currently focused on minimizing the environmental impact of Urea plants (Urea Zero Emission) through the implementation of innovative technologies currently under development. The technology for the recovery of ammonia from flue gas is now ready for application at pilot plant scale.

Validation of the updated mathematical model for the high pressure section of urea plants is currently under way. The model will subsequently be used to evaluate new process improvements.

Following on from Saipem's commitment as the main EPC contractor in the GL-3Z project for the liquefaction of natural gas (LNG) for Sonatrach in Arzew (Algeria), a cooperation agreement was signed with Chiyoda for the construction of onshore LNG plants. The agreement will enable the two companies to integrate their respective Oil & Gas contracting know-how, and in particular their knowledge of the gas monetisation chain, to successfully tackle the rapidly expanding LNG and Upstream sectors, as well as other strategic markets.

The year also saw Saipem complete construction work on the first commercial unit to use ENISOLVEX technology – a new Eni proprietary technology for the remediation of soils and sediments contaminated by organic compounds – at the Eni R&M refinery in Gela, Italy. Pre-commissioning is planned for 2012. Furthermore, a specific procedure has been developed for choosing between different remediation options based on quantitative criteria relating to environmental impact.

In the CO_2 Capture and Storage sector, Saipem completed the development of the Front End Engineering Design (FEED) for a pilot pipeline unit for dense phase transportation of CO_2 to be installed in the Eni/Enel pilot chain. Meanwhile, a feasibility study for the transportation of CO_2 from the Eni R&M refinery in Gela to local oil fields to be used for Enhanced Oil Recovery (EOR) has been completed.

The Life Cycle Assessment (LCA) is a methodology for assessing the environmental impact associated with a product, a system or a process along its entire life cycle. It is an important support tool in decision making, process optimization, monitoring and reporting. A Life Cycle Information Database (LCID) has been set up by Saipem to provide an inventory of energy and oil processes and has been successfully tested on a number of projects. The system was implemented on Sigma pro, the leading LCA software.

In the renewable energy sector, and in particular offshore technologies, developments have been moving ahead on tidal turbines, with a large-scale prototype planned for 2012, as well as on a wave-powered generator for an oil company. Furthermore, Saipem's technological Innovation and Development Team is on hand to provide technical support to commercial initiatives on offshore wind power projects for the main players in the energy industry.

The development of solutions for large scale energy storage is proceeding apace. Preparation of the test and qualification phase of storage materials is underway with the aim of carrying out functional tests in the middle of 2012.

Quality, Health, Safety and Environment

Quality

The following initiatives were pursued during 2011:

System Quality:
- planning of activities necessary for the integration of the Onshore, Offshore and System Quality Management Systems;
- start-up of the process for standardization of Lessons Learned in Onshore and Offshore projects, including on the basis of the results of Customer Satisfaction surveys;
- definition and monitoring of Quality objectives of the main Group companies and in-depth analysis of their performances in 2010;
- review of the OCQR (Operating Company Quality Reporting) system to improve monitoring and periodical assessment of Quality Management Systems in Group companies;
- support for several companies and branches for attainment of ISO 9001:2008 certification of their Quality Management Systems;
- implementation of QHSE Corners on the Sharepoint platform that are remotely accessible from any group location, with the aim of sharing QHSE knowledge worldwide.

Project Quality Management:
- planning of activities required for integration of Project Quality Management for onshore and offshore projects. The plan has been approved by E&C Management;
- completion of the 'Offshore Vessel Quality Reporting (OVQR)' project for evaluating the quality performance of Offshore Construction vessels, including the development of a system of periodic data analysis;
- implementation on offshore vessels of the 'DAMS' document management system for sharing and storage of vessel documentation;
- sharing of information and lessons learned in relation to Drilling activities through 'Quality Bulletins' produced by the Project Quality Teams;
- launch of process for standardization of Quality Management Systems of Drilling projects.

Quality Control:
- start of standardization of Quality Control Plans on Onshore and Offshore projects, in yards and on Saipem vessels;
- mapping and start-up of support processes for Quality Control in Fabrication Yards as part of wider project for the development of the Fabrication Management System started by the Engineering & Construction (E&C) BU;
- implementation of the NDT Phased Array methodology in Fabrication Yards and testing of same in all welding conditions (i.e. not only on piping and carbon steel structures);
- automation and improvement of pipe traceability and control processes through the Pipe Tracking System. Issue of a corporate standard and initial assessments regarding use of the technique in a machinery yard and on board the FDS 2;
- start of specific Quality Control training initiatives for Drilling and Offshore projects;
- implementation of a system for monitoring blowout preventer (BOP) systems used on Onshore Drilling projects and development of two criteria for the maintenance and testing of BOPs used in Offshore Drilling projects.

Safety

In December 2011, HSE certification (in compliance with ISO 14001 and OHSAS 18001 Standard) was extended from the former Onshore Business Unit to encompass the entire Engineering & Construction Business Unit as well as activities in the Integrated Projects (PRIN) area. The field of application of the certificate covers the entire life cycle of EPC and EPIC projects being implemented by these two units. Verifications were carried out in November-December 2011 by the certification body Det Norske Veritas (DNV) offices and on projects in Italy and abroad.
At present, work is underway to obtain HSE certification of Corporate processes and all processes in place at permanent Saipem SpA offices.

In 2011, the LiHS Development Team was involved in various projects, particularly coordination, support and roll-out of the LiHS Program, now in its fifth year of implementation. The three phases of the program were successfully implemented throughout the entire organization and involved over 30,000 employees, as well as Saipem clients and contractors. New instructors have been trained up to deliver the program at local level.
The communications strategy for the new phase, called Leading Behaviours, launched at the beginning of the year, is drawing to a close: the 5 Leading Behaviours were presented to all personnel via the intranet (videos and web communications) and through around 600 cascaded events in which approximately 20,000 employees took part.

In addition to the other numerous training initiatives, during 2011 Saipem SpA, in association with the Alma Mater Studiorum Università of Bologna, set up a Master's degree titled 'Health, Safety and Environmental Protection in the Oil & Gas Industry'. The course, which was targeted at 12 young engineers from various specialist backgrounds, was divided into a first phase of 16 weeks of lectures on various HSE themes and a second phase of 14 weeks of on-the-job training in one of the Group's Italian offices.

The first phase, which began on August 28, 2011, was conducted not only by university lecturers but also by Saipem specialists who introduced the students to the Company, the various business sectors and the numerous activities in which Saipem is involved. During the second phase of on-the-job training (January-May 2012), the 12 students will prepare a project to submit to a university commission at the end of the course.

In 2011 Saipem organized a number of HSE training courses with the aim of promoting a culture of health and safety and training for internal and external personnel.
The first course was organized in the Saipem Sharjah Training Center and lasted 5 weeks. There were 26 participants from a variety of countries. The course aimed to train HSE personnel for assignment to various Saipem projects in different countries. There were 40 theoretical and practical HSE training modules, which included a number of simulations. At the end of the course, 70% of the trainees were allocated to Saipem sites.
With the aim of raising the awareness of Saipem personnel and training supervisors operating on projects in both Kazakhstan and Italy, a number of 'Site inspection, audit and survey' courses were organized.
These involved more than 100 managers and supervisors over several sessions.
At the Atyrau (YKK) training centre in Kazakhstan, a training course for HSE personnel working on Kashagan projects was arranged in both English (20 days) and Russian (20 days).
35 people were involved overall.

Safety performances in 2011 were in line with targets set, with an improvement registered in the total recordable incident frequency rate.
Despite this positive trend, 6 fatal accidents occurred in 2011 involving both Saipem and contractor personnel. Four contractor staff suffered fatal injuries following falls from heights during work on metal structures, scaffolds and communications towers.
Another contractor staff member was crushed between two pipes during laying operations, dying from head injuries. In April, in the Gulf of Mexico, a Saipem employee was drowned following the capsizing of a boat used to transfer personnel.

Environment

In the framework of the Environmental Awareness Campaign, 2011 saw the launch of the fourth theme 'Water saving and reuse', whose aim is to make all Saipem personnel aware of the importance of water as a resource to be used responsibly.
The message was also an invitation to reuse water when this is technically and economically feasible. Programmes for the reuse of domestic wastewater (particularly for irrigation or dust suppression purposes) are currently underway in a number of areas affected by water stress (see, for example, the Qafco V-VI Project in Qatar, the Shah Development Project in the UAE and the Kuryk Yard - Ersai in Kazakhstan). Following the launch of the fourth theme, feedback from sites and projects was collected and examined. The significant amount of feedback received was published in the QHSE section of the Company intranet and was also included in eNEWS with the aim of sharing relevant experiences and facilitating the implementation of best practices on other sites and projects.

World Environmental Day (WED) on June 5, 2011 saw the launch of a new company magazine called Corporate eNews dealing with environmental issues. Its remit is to give greater visibility to environmental initiatives from a technical and engineering perspective and to educate and raise awareness among personnel. Three issues were published in 2011, the most recent of which focused on the environmental problems that Saipem is encountering on Offshore and Drilling work in the Kashagan Oil Field, where operations are particularly challenging on account of the environmental vulnerability of the Caspian Sea area and the strict legislation of the Republic of Kazakhstan in this regard.
With the aim of improving its monitoring of atmospheric emissions and reducing emission levels, Saipem has engaged Bureau Veritas to audit the calculation procedures and methodologies it uses for quantifying and reporting greenhouse gas emissions. Validation was carried out in compliance with the International Standard UNI ISO 14064-3:2006 'Greenhouse gases - Part 3: Specification and guidance for validation and verification'. The documents submitted for verification were the Corporate Criteria 'Emissions Estimation Methodology', and the Corporate Standard 'Environmental Reporting'. The validation process was completed with success and the certificate was duly awarded in November 2011.

Health

Saipem's health and medical service continued during the period with its usual activities of prevention, protection and promotion and the provision of emergency medical assistance to employees in companies and on operating sites. Some of the activities pursued by the Medical Department in 2011 include:
- the new LiHS film, which focuses on three significant health issues pertinent to the Oil & Gas industry, namely, malaria, transmissible diseases and lifestyle. The film presents a number of highly persuasive and powerful arguments in favour of Saipem's health vision;
- non-transmissible diseases (e.g. diabetes, hypertension, chronic pulmonary illnesses, obesity and cardiovascular diseases) are issues of worldwide relevance. Through the BE.ST (Better Lifestyle) initiative, Saipem is broadening its health control and prevention programme by educating its employees about the benefits of healthy lifestyles and diets;
- as part of its malaria control programme, Saipem purchased and distributed permethrin-impregnated clothing – including long-sleeved T-shirts and overalls – in several countries and environments with high and constant exposure to the risk of infection from malaria;
- the Health section on the QHSE site was constantly updated with medical information. A Health Forum was set up in which Saipem medical personnel are encouraged to come forward and participate in discussions on a variety or difficult, unusual and/or complex medical cases.

On the occasion of the world health awareness days promoted by the World Health Organization, the Saipem medical team organized the following initiatives:
- World Sight Day: an awareness raising campaign focusing attention on blindness, sight impairment and rehabilitation of the blind and visually impaired;
- World Day against Obesity: consisting of meetings, workshops, and discussions of factors leading to obesity and the precautions to take;
- World Day against Malaria: a campaign was organized to raise awareness of HIV/AIDS and to encourage workers to behave in a responsible manner.

Health and occupational medicine

The main objective of Saipem's Italian Health and Occupational Medicine service is to carry out health surveillance activities in compliance with specific requirements deriving from European directives and Italian law. The clinical side of the service provided, which involves regular preventive check-ups on workers' health, is in reality only one aspect of the health surveillance activities.
In 2011, 6,050 check-ups were carried out. The service has agreements in place with more than 20 Occupational Medicine Centres in Italy for the implementation of reliable and efficient health surveillance programmes (including monitoring of alcohol and drug use). The appointment of Company Doctors is currently being reviewed as part of Company reorganization.

The destination and duration of the stay are the principal criteria used in assessing the suitability of an individual to carry out duties in an overseas location. Of vital importance in this regard is the 'Pre Travel Counselling' training initiative. Using one-to-one presentations and group training programmes, 'Pre Travel Counselling' is organized to facilitate and promote a travel medicine culture by keeping workers correctly informed with regard to destination risks for each specific country and the most suitable protective measures to adopt. Training is recorded electronically in the Health Management System (GIPSI). In 2011, approximately 700 employees were trained in San Donato Milanese, Fano, Rome, Vibo Valentia and Arbatax. During training, special attention was given over to those activities subject to recently issued legislation concerning alcohol and drug use.

The year also saw the development, in association with the San Raffaele hospital in Milan, of a methodology for managing work-related stress and the coordination of the risk assessment working group at the San Donato Milanese, Fano, Rome and Vibo Valentia offices.

Saipem's relations continued with a number of important scientific and institutional bodies (Simlii, Siti, Simvim, Ukooa, Icoh, University of Rome 'La Sapienza', the San Raffaele hospital), which involve the sharing of health surveillance protocols and information on related matters and the publication of articles in some of the most prestigious scientific reviews during 2011. Finally, university validation of the health surveillance protocols and the 'Pre Travel Counselling' programme are forthcoming and a One Stop Clinic health promotion project was launched in association with the hospital of San Donato Milanese.

Human resources

Workforce

2011 was characterized by an increase in the workforce by in excess of 10%. This was due to the completion of manning of drilling and offshore assets, the acquisition of new offshore and onshore projects and support on projects acquired in areas under development (mainly Canada and Mexico).

Payroll

In line with employment dynamics, the value of the payroll increased in 2011 compared to 2010 (€1,750 million at the end of 2011 compared to €1,627 million in 2010). This is accounted for by a combination of growth in the absolute head count and by a higher pro-capita cost compared to 2010, which rose due to a variation in the mix of nationalities used.

HR control system

2011 saw the completion of the following activities concerned with improving the governance of HR processes:
- the extension of the GHRS integrated personnel management system to over 50 legal entities, bringing the percentage of the total workforce directly monitored by the system to 98%;
- launch of the 'GHRS One Step Ahead' project, which will lead to further integration of HR processes within the IBIS Model, in particular the Compensation and Talent Management process;
- start-up of an automatic interface project between all active payroll systems in the Group and of the Data Warehouse.
  In addition, a new dashboard for monitoring Labour Cost trends was designed and developed.

Industrial relations

Saipem's approach to industrial relations is to consider it both necessary and vital to pay close attention to the handling of the diverse socio-economic and legal contexts prevailing in the countries in which the Company operates.
For many years now, the Company's industrial relations model has focused on ensuring harmonization and optimal management, in accordance with Company policies, of relations with trade unions and employers' associations, as well as political institutions and public bodies.
In line with this approach, 2011 saw various issues negotiated with national representatives of trade union organizations from the Energy and Maritime sectors.
The most significant issues that involved Saipem or specific business sectors were as follows.
Through the employers' association Confitarma, Saipem took part in preliminary meetings for the renewal of the collective labour agreement for seamen serving on board special vessels, which expired on December 31, 2010. Negotiations are ongoing.

An accord was signed for the renewal of the ITF Agreement. This set both the legal and pay conditions that will be in force for the whole of 2012.
In the energy sector, an agreement was signed with the national trade union secretaries which redefines the regulations and allowances for offshore construction and drilling activities.
Meetings were held with union representatives to define the instruments needed to ensure efficient management of drilling facilities operating in Italy.
Following a reorganization project that affected environmental activities, and on the basis of resolutions of the Board of Directors and agreements reached with trade union representatives in October, as of November 1, 2011 the business unit SMALT was transferred to the Eni company Syndial along with its 32 human resources.
Using the same methods, and following resolutions of the Boards of directors of Saipem and SES, the procedures for the merger of SES into Saipem, effective as of January 1, 2012, were set in motion and concluded in September and October and the minutes were duly signed by the trade union representatives.
Company functions in charge of monitoring trade union events in the various geographical and operational contexts followed the developments of contract renewal negotiations for Drilling personnel in Latin American countries as well as the series of meetings that culminated in the signing of the GLNG Gas Pipeline Greenfields agreement between Saipem Australia Pty Ltd and the Australian Workers Union.

Human resources

In 2011 the Human Resources Management function implemented a series of initiatives targeted at increasing efficiency and monitoring and analyzing key indicators relating to Saipem personnel. These initiatives are set within the framework of a broader plan initiated by Saipem Human Resources management with the aim of supplying Business Unit HR and Line Managers with timely monitoring of the main HR management issues.

In the context of the development of guidance initiatives, in 2011 the HR department rolled out new IT tools (InfoDip, Vacation Planning System, already available and in use, others currently

being designed), organized training programmes for internal users on themes of both a general and specific nature (taxes and social security, immigration, management of expatriates, etc.), and also published policies and guidelines in the Company Document Management System in order to make key management processes (management of resources involved in international assignments, personnel assignment in GHRS, etc.) both clearer and more transparent.
Further testing of new expatriate compensation packages for assignments from Italy to major European and US locations was carried out. The salary package was designed with the goal of bringing expatriate compensation packages for Italians closer to those paid to similar professional individuals working in highly competitive markets.
A comparative analysis of expatriate procedures and practices in various Saipem companies in Italy and abroad was completed. Consolidation and standardization of international mobility policies of the various operational companies was likewise concluded. In July 2011 an operating procedure was issued covering the management of Italian personnel on overseas assignment.

Development, Organization, Communication and Compensation

Although a lack of continuity and uniformity across the various sectors and geographical areas can be observed, the difficult conditions on international markets are at present generally pushing businesses towards a radical rethink of traditional benchmark models and practices in the management of people, and are influencing investment choices in relation to organizational development.
These developments are compounded by the ongoing expansion of an Oil & Gas market which continues to suffer from a lack of talented and highly professional resources.
The new challenge is, therefore, to achieve greater competitiveness and greater innovation with fewer resources. The Company's focus is consequently shifting to the need to instil a greater sense of engagement in its employees and towards a new strategic paradigm for motivating and retaining critical resources, hinging on the creation of perceived value and the use of a mix of financial rewards and other types of 'benefit' such as experience and professional development.
Accordingly, Saipem's recruitment, training, development, compensation, organization and communication activities are focusing strongly on the definition and implementation of solutions, policies and tools designed to ensure efficiency, flexibility, maximum fulfilment of business operating requirements and the realization of the full potential of Saipem's key and distinctive resources and capabilities.
During 2011, a process was set in motion to redefine the Company's People Strategy in relation to its business strategy. This will lead to a review of the People Development model with the aim of making it more efficient, more attractive, both inside and outside Saipem, and easier to use by management and employees alike, including internationally.

In the light of the acquisition of a number of major projects by the Group, **recruitment** activities during 2011 were strongly oriented towards identifying personnel with extensive professional experience, taking advantage of significant opportunities offered by the market in this respect. In terms of junior personnel intake, the mix between new graduates and high school leavers was recalibrated in favour of the latter. Specifically, a number of initiatives targeted at centres of technical excellence in Italy were developed with the aim of strengthening Saipem's image and reputation among young school leavers and its ability to attract such resources. Further training programmes focused on the in-house development of capabilities that are difficult to locate on the market. In order to attract resources with knowledge consonant with Saipem's business characteristics, targeted employer branding initiatives were carried out in selected Italian universities.

With regard to **Local Content**, training and development campaigns for local resources in Kazakhstan and Saudi Arabia were launched with the aim of increasing the use of local resources in operative positions (i.e. technical roles in the offshore and drilling sectors). In Algeria, training programmes targeted at young local engineers were organized in association with the Université des Sciences et de la Technologie d'Oran to increase the availability of the technical and specialist capabilities required for the Engineering and Construction sectors, which are currently difficult to locate on the local labour market.
A post-university course in Project Control and a Masters university degree course in HSE are worthy of particular note.
To support the creation of a new engineering company in Angola, partnership relations were renewed with local universities and a staff recruitment campaign was carried out by means of announcements made in various countries around the world with a view to attracting Angolan personnel interested in repatriation.
Furthermore, to facilitate the development of the Karimun Yard, specific actions for the recruitment of local resources were undertaken, including monitoring of the labour market both on the island and in the surrounding area, as well as the planning of training schemes for key roles in the fabrication sector.

Training courses were characterized by a focus on law compliance initiatives. Following an initial phase focused on Italy, the initiatives were extended to cover the international sphere. Various e-learning courses were organized for a large number of resources in connection with Italian Legislative Decree 231/2001, the Code of Ethics and Security issues. The training initiatives for the members of the Compliance Committee of subsidiaries also continued during 2011, as did those for Employers, Safety Managers, Safety Supervisors and Officers regarding the new work safety legislation introduced under Legislative Decree No. 81/2008.
As regards professional training, an intense programme targeted at young school leavers was carried out over several sessions aimed at developing and consolidating the capabilities and skills required to cover a number of roles that are critical to Saipem's business but which are difficult to locate on the market. Within the new Engineering and Construction Business Unit, a series of initiatives was launched that focused on redefining the roles of Project Director, Project Manager and Project Engineer, with a view to creating cross-disciplinary competencies for deployment on the types of project carried out by the Business Unit. For roles such as Project Director and Area Manager, an internationally oriented programme on Business Leadership themes was successfully set up.
Finally, courses targeted at the development of leadership, communication and HR management and development skills were carried out for senior and middle managers and for all managers in permanent offices, who are required to manage human resources in increasingly challenging and complex situations.

Activities in human resources **development** during the year were principally related to the introduction of the new strategic paradigms and the revision and updating of methodologies and tools in connection with the redefinition of the People Strategy. The personnel 'segmentation' process was reviewed with the introduction of the concept of potential internal utility (functional, interfunctional and geographical) as an assessment criterion, while a new methodology for evaluating the potential of young resources and expert personnel was brought in.
Finally, a number of Italian middle managers were made 'Knowledge Owners' and 'Key Managers' during the year, with the purpose of leveraging their specific skills, strategic know-how and/or the critical nature of their roles for business.

Although showing signs of recovery compared to the period 2009-2010, market trends and global economic conditions continued to dictate a cautious attitude in relation to **compensation** policies. Accordingly, variable incentive plans (including project incentives) and retention systems, which continued to be subject to careful analysis and rationalization, are being adopted on a selective basis, taking into account the specific characteristics of the relevant labour markets and current business trends and future outlooks.
As regards management, the current short-term monetary incentive scheme, which is linked to the individual's performance, and the long-term monetary scheme, linked to the Company's performance, was confirmed during the period for Italian and international managerial resources.
Individual annual monetary incentives, which were based on actual 2010 management performance, were paid out in April to 221 Italian senior managers, representing 77.5% of the total, with a total cost outlay of €7,244,000 (23.6% of total compensation at January 1, 2011). The new targets for 2011 for the same population of senior managers were also defined.
Additionally, July 2011 saw the allocation of deferred monetary incentives to 219 senior managers, representing 76.8% of all senior managers, with a total cost outlay of €4,502,000.
In order to boost the motivation of critical management resources, as well as to guarantee Saipem's long-term performance and keep the compensation package in line with the market average, the Board of Directors reconfirmed the long-term monetary scheme that replaces the stock option plan that ran until 2008. The

(units)	Average workforce 2010	**Average workforce 2011**
Offshore Engineering & Construction	13,533	**13,336**
Onshore Engineering & Construction	14,916	**16,242**
Offshore Drilling	1,508	**1,655**
Onshore Drilling	5,213	**5,823**
Staff positions	3,258	**3,332**
Total	**38,428**	**40,388**
Italian personnel	7,071	**7,204**
Other nationalities	31,357	**33,184**
Total	**38,428**	**40,388**
Italian personnel under open-ended contract	6,174	**6,222**
Italian personnel under fixed-term contract	897	**982**
Total	**7,071**	**7,204**

(units)	Dec. 31, 2010	**Dec. 31, 2011**
Number of engineers	7,244	**7,355**
Number of employees	39,249	**44,232**

scheme was implemented in October 2011 for 73 critical Italian resources, representing 25.6% of Italian managerial staff.
Finally, at global level, the adoption of the single grading system for organizational 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.

The **Organization** activities carried out during the year were focused on implementing the strategic choices made by the Company.
Special attention was paid to the Engineering and Construction Business Unit with the implementation of an organizational model designed to ensure optimum integration and operational synergy and to maximize the specialist cross-disciplinary capabilities and competencies developed in the framework of the previous organizational set-up (Onshore and Offshore Business Units).
Additionally, flexible models of project execution were defined, with the objective of achieving the optimal deployment of centralized engineering and project management competencies geared towards the execution of complex projects characterized by a high level of plant engineering and technological content, in conjunction with the construction capabilities developed in the geographical areas where Saipem operates, including through the promotion of local content.
To complete the process of assigning key operating levers that are critical for achieving business objectives and maximizing results to the Business Units (while safeguarding the principle of the segregation of duties which lies at the heart of the Company's governance model), the following activities were integrated within the operating Business Units:
- development, management and maintenance of pertinent company assets, hence the abolition of the Asset function;
- post order activities (expediting, purchased materials quality control, shipping and customs), which was separated from the Procurement function at both Corporate and world-wide level.

In line with the OSO - 'Organizational System Optimization' project implemented with the aim of simplifying and optimizing the organizational structures of the business units and with a view to achieving optimal levels of flexibility, effectiveness and efficiency, an organizational alignment process commenced for the Staff and Business Support functions.
2011 also saw the introduction of a new Company regulatory system, which was approved by the Board of Directors of Saipem in December 2010. The system comprises four levels: Policies, Management System Guidelines, Corporate Standards and Company Regulations.
Finally, in line with the implementation of the organizational model of the new E&C BU, a number of significant actions were carried out to achieve organizational and operational optimization in Saipem companies abroad and to define and implement governance and organizational models for starting up new companies in relation to new markets and business prospects.

As regards **Communications**, the issue of safety, which has always been at the centre of Saipem's education and training projects, has taken on even greater importance since the Macondo accident. Awareness-raising and training courses were organized in 2011 at Saipem operating sites as part of the ongoing initiative to promote a company safety culture. To this end, company videos were produced and made available worldwide covering actual events involving real Saipem people who, by dealing with emergency situations encountered during offshore drilling operations in an exemplary manner, managed to prevent negative consequences for their colleagues and the environment.
The in-house magazine 'Orizzonti', now in its 20th year, has been redesigned for publication in three separate language editions (Italian, English and French) to allow for more targeted and efficient distribution. Total circulation is in excess of 10,000 copies.

Information technology

Information, Communication, Technologies

During 2011 the ICT function launched some important changes to Saipem's information systems. The change plan concerning SAP R/3 was completed, with the introduction of new native functionalities offered by release 6.0 of the product, as well as a new architecture for the company data warehouse system.
In particular, Saipem implemented a new accounting model in line with company requirements which manages working capital based on SAP New General Ledger and exploits the capabilities of Material Ledger to support cost analyses.
With these new tools in place, a number of new SAP roll outs were carried out which benefited from the new functionalities.
The initiative also involved a carefully coordinated technical and functional update of the Spectec AMOS asset management system integrated within the IBIS (Integrated Business Information System) model of SAP R/3.
In the HR area, initiatives commenced in 2011 are still under way and should be completed in the first half of 2012. Additional fine-tuning of GHRS, the Saipem system based on the Oracle Peoplesoft personnel management software, was launched in 2011 as part of a new implementation project. Saipem also introduced, with excellent results, a new solution for international payroll management which was developed internally by drawing on the software development and management skills of Saipem India Projects, thus achieving savings in terms of both project management and production costs.
A better quality of HR data available in GHRS facilitated the roll out of the company Workload Management System for engineering and supervision services. The success of the initiative led to further implementations to cover a number of other Saipem professional families, namely, offshore vessels, drilling and ROVs. Extension of the model to fabrication and construction is currently under way.
ICT business support activities during the year were strongly focused on innovative tools targeted at increasing the efficiency and quality of engineering design and construction. Through partnerships with major suppliers of software solutions, such as Aveva, Bentley, and Intergraph, Saipem aims to reduce complex product development and elaborate customizations in favour of the adoption of standard platforms enhanced by solutions designed on the basis of consultation with Saipem experts, a process that requires an open and continuous dialogue with suppliers to ensure that Saipem's requirements are understood and met. In 2011 there was a strong focus on support for the Shah Gas project which required significant effort to ensure an adequate implementation of new project-based 3D modelling tools. The experience gained will be used to give a competitive edge to new jobs requiring the same product. Other business support initiatives were connected with the new site management models, which are using a new system for the management of piping spools and related technical documentation that was introduced during 2011.

As regards IT infrastructure, 2011 was given over to the consolidation of the saipem.com domain and to the roll out of the WIE (Windows Infrastructure Evolution) project to take advantage of the benefits deriving from the functionalities offered by the latest Microsoft platforms. Distribution of the new software was started and completed for a first group of sites, which included a number of vessels, in parallel with a more time-consuming roll out to the main Italian and French sites, which will be completed in 2012.
In telecommunications, the ongoing implementation of unified communications services is currently focused on the introduction of the latest features of IP technology for managing voice and video traffic over Saipem's data network.

Finally, in relation to governance activities and compliance and security processes, analysis of company data (and the risks associated with their processing) is under way and should be completed in 2012, in parallel with monitoring work carried out in compliance with the Sarbanes Oxley Act and with Italian law no. 262. This approach is 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.

Governance

Pursuant to Article 123-*bis* of the Consolidated Finance Act, the '**Corporate Governance Report and Shareholding Structure**' (the 'Report') has been prepared as a separate document, approved by Saipem's Board of Directors on March 13, 2012, 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 'Guidelines for the preparation of the Report on Corporate Governance - II Edition (2012)' 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, a profile of the Company and the principles by which it operates, information on the Company's shareholding structure and on its adherence to the Corporate Governance Code (including the principle practices of governance applied and the principle characteristics of the system of internal controls and segregation of duties) and a description of the composition and operation of the administration and control bodies and their committees, their 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.

The criteria applied for determining the remuneration of Directors are illustrated in the '**2012 Compensation Report**', prepared in accordance with Article 123-*bis* of the Consolidated Finance Act 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 the instruments, organizational 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 constitutes an integral part of the Organizational and Management Model of the company, which assigns specific roles to the company's management bodies, compliance committees, control bodies, company management and all personnel, is based on the principles contained in the Code of Ethics and the Corporate Governance Code, taking into account the applicable legislation, the CoSO report[1] and national and international best practices.
Additional information on the internal control system and risk management, including details concerning its architecture, instruments and design, as well as the roles, responsibilities and duties of its key actors, is contained in the Corporate Governance Report and Shareholding Structure document.
The main industrial risks that Saipem faces and is actively monitoring and managing are 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 execution phase of engineering and construction contracts undertaken by the Onshore Construction, Offshore Construction and Asset Business Units.
For information regarding financial risks, see the paragraph 'Management of financial risks' in the summary of significant accounting policies section of the notes to the consolidated financial statements.

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.
These laws and regulations require prior authorization and/or the acquisition of a license before operations may commence and the compliance with health, safety and environmental protection regulations.
Environmental regulations impose restrictions on the types, quantities and concentration of pollutants that can be released into the air, water and soil and require companies to adopt correct waste management practices. In particular, strict operating practices and standards to protect biodiversity must be adopted when exploring for, drilling and producing oil and gas in certain ecologically sensitive locations. Failure to comply with environmental, health and safety laws is punishable by criminal and civil sanctions against the individuals responsible and – in certain cases of violations of safety laws – against companies, in accordance with a European model of direct corporate liability implemented in Italy through Legislative Decree 231/2001.
Environmental, health and safety laws and regulations have a substantial impact on Saipem's operations and expenses and liabilities that Saipem may incur in relation to compliance with environmental, health and safety laws and regulations are expected to remain material to the Group's results of operations or financial position in future years. Recently enacted legislation regarding health and safety in the workplace in Italy introduced new requirements which will have an impact on operations at Eni sites and in particular on relationships with contractors as well as significant repercussions on the models used for attributing liability in the event of violations of health and safety legislation. The new legislation emphasises the importance of adopting certified organizational and management models which can release companies from corporate liability in the event of violations of legislation regarding health and safety in the workplace. For this purpose, Saipem has adopted HSE guidelines to ensure the health and safety of employees, local communities, contractors and clients and the safeguarding of the environment, in compliance with local and international rules and regulations and in line with international best practices and standards.
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.
Additionally, the codification and proceduralisation of operating phases has led to a reduction of the human component in plant risk management. Operating emergencies that may have an adverse impact on assets, people and the environment are managed by the business units at site level through dedicated HSE structures equipped with emergency response plans indicating the corrective actions to be taken to minimize damage in the event of an incident and responsibilities for ensuring they are taken.

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

Saipem's integrated approach to managing health, safety and environmental issues is supported by the adoption in all Group companies of an HSE management system based on the Saipem-Eni Management System Model, consisting of an annual cycle of planning, implementation, control, review of results and definition of new objectives. The system is aimed at achieving risk prevention and the systematic monitoring and control of HSE performance in a cycle of continuous improvement and is subjected to audit by internal and independent experts. Saipem's facilities are certified to international standards such as ISO 14001, OHSAS 18001 and even EMAS. Saipem also provides an advanced programme of training and development for HSE staff with the aim of:

- promoting conduct consistent with the applicable guidelines;
- guiding HSE-related cultural, professional and managerial growth of all personnel;
- supporting knowledge management and HSE risk control.

Country risk

Substantial portions of Saipem's operations are performed in countries outside the EU and North America, certain of which may be politically 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 organizational 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 minimize 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 material adverse impact on Saipem's financial position and results.
Saipem employs a continuous and holistic approach to monitoring political, social and economic risk in countries in which it operates or intends to invest, drawing on the 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.
To manage the specific security risks to which it is exposed in the countries where it operates, Saipem has adopted a security model known as SECUR, 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. As part of its adoption of the SECUR model, Saipem has implemented a comprehensive security management system, which essentially constitutes an organizational, legal and procedural tool for preventing 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.

Project risk

The main objectives of the Risk and Opportunity and Knowledge Management department 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 optimization of opportunities respectively;
- define, develop and update tools and methods for collecting and organizing lessons learned and making them available to projects;
- ensure adequate training and the necessary support to commercial and project management teams;
- ensure the protection of Saipem's intellectual property rights by monitoring the processes connected with the creation and filing of patents and the identification of distinct know-how that is to be protected, and by promoting the sharing and centralized collection of a corpus of Saipem's intellectual property rights;
- 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 comply 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 Program 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 program 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 Program, a distinction should 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, up to a limit of US$5.6 billion for events occurring during transit and up to US$300 million for events occurring during offshore operations. The policy also includes a sublimit for sea surface pollution by vessels of an amount per event of up to US$1 billion during transit and up to US$300 million during offshore 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 up to a limit of €300 million per event for offshore operations and up to a limit of €400 million per event, for onshore operations.
- '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 in and operational since 2008, which covers the initial part of risk, corresponding to €10 million per event for all classes 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 2011. Saipem SpA holds treasury shares to the value of €73 million (€84 million at December 31, 2010) which are made up of 3,143,472 ordinary shares (3,710,372 at December 31, 2010) with a nominal value of €1 each.
At March 13, 2012, the share capital amounted to €441,410,900. On the same day, the number of shares in circulation was 438,900,053.

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, 2011, the following thirteen Saipem subsidiaries fell within the scope of application of the regulation in question, namely:
- Petrex SA;
- Snamprogetti Saudi Arabia Co Ltd Llc;
- Saipem Contracting (Nigeria) Ltd;
- Saipem Contracting Algérie SpA;
- PT Saipem Indonesia;
- Ersai Caspian Contractor Llc;
- Saipem (Nigeria) Ltd;
- Saudi Arabian Saipem Ltd;
- Global Petroprojects Services AG;
- Saipem America Inc;
- Saipem Asia Sdn Bhd;
- Snamprogetti Canada Inc;
- Saipem Misr for Petroleum Services (S.A.E.).

Procedures designed to ensure full compliance with Article 36 have already been adopted.
No further regulatory compliance plans are therefore scheduled for 2012.

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 11 of Article 2.6.2 of the Rules of the Markets Organized and Managed by Borsa Italiana SpA, the Board of Directors in its meeting of March 13, 2012, 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 13, 2012 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, which has taken on the role of Compensation and Nomination Committee, and the Audit Committee, which has taken on the role of Audit and Risk Committee) are composed exclusively of independent directors.

Disclosure of transactions with related parties

As of January 1, 2011, the new procedure 'Transactions involving interests held by board directors and statutory auditors and transactions with related parties' came into effect. The procedure can be consulted on Saipem's website www.saipem.com under the section 'Corporate Governance'. For a description of its application with reference to transactions with related parties, see the 'Corporate Governance Report'.
Transactions with related parties entered into by Saipem and identified by IAS 24 concern mainly the execution of contracts, the supply of services, and the provision and utilization 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 six 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 and its subsidiaries

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 January, new contracts worth $1.8 billion were awarded, as reported in the press release of January 18, 2012.

Outlook

Overall investments in the oil industry are predicted to increase in 2012, although uncertainties over global economic trends may have an impact on the time frames for the approval of planned projects. Buoyant markets are expected in West Africa (Nigeria and Angola in particular), Azerbaijan, Brazil, South East Asia and Australia (Offshore) and in Nigeria, Canada, Iraq and Australia (Onshore). Furthermore, several projects related to the development and transportation of gas may be approved during the year, namely phase one of Shtokman in the Barents Sea, the Brass liquefaction plant in Nigeria and the Galsi Algeria-Italy pipeline. Market prospects for contractors are therefore expected to improve in 2012. As regards Saipem, the distinctiveness of its fleet, its significant local presence and its good track record suggest that the Company will be capable of taking full advantage, in terms of new contracts, of the predicted market improvement. It is expected that the Offshore Drilling sector will benefit from the entering into service of the Scarabeo 9 on January 19 and of the Scarabeo 8 forecast for April, in part offset by the upgrading of the Scarabeo 6 which will force the vessel to cease operations for approximately 6 and a half months. The Onshore Drilling sector should once again see the good rig utilization rates seen in 2011 and benefit from a slight increase in day rates. Both the Offshore and Onshore sectors of Engineering & Construction, should have slightly higher volumes in 2012 compared to 2011, with similar margins. Overall, revenues in the region of €13 billion are predicted for 2012, as is an EBIT of €1.6 billion and a net profit of €1 billion. Investments planned for 2012 mainly concern maintenance, completion of the pipelay vessel Castorone, upgrading of Scarabeo 6 to make it suitable for operations in water depths of up to 1,100 metres and, finally, commencement of construction of the new yard in Brazil. In total, an outlay of approximately €900 million is envisaged.

Chairman of the Board of Directors

In compliance with the provisions of the new Corporate Governance Code for listed companies, the Board of Directors has resolved to form:

- the Compensation and Nomination Committee: the existing Compensation and Nomination Committee will thus take on consultative and advisory functions vis-à-vis the Board of Directors with regard to, Italy appointments;
- the Audit and Risk Committee, replacing the Audit Committee. The Audit and Risk Committee will provide support to the Board in connection with issues regarding the internal control and risk management system.

Non-GAAP measures

Some of the performance indicators used in the 'Operating and Financial Review' are not included in the IFRS (i.e. they are non-GAAP measures).
They 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 amortization;
- capital expenditure: calculated by excluding investments in equity interests from total investments;
- gross operating profit: 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. Gross operating profit is an intermediate measure, which is calculated by adding depreciation and amortization 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;
- total liabilities and shareholders' equity: the sum of shareholders' equity, minority interest and net borrowings.

Declaration pursuant to Legislative Decree No. 196 of June 30, 2003

In his capacity as data controller of personal data, the Chairman declares that the Security Policy Document has been updated pursuant to Legislative Decree No. 196 of June 30, 2003.

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, Italy.

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

Reclassified balance sheet

(€ million)	Dec. 31, 2010		Dec. 31, 2011	
Reclassified balance sheet items (where not stated otherwise, items comply with statutory scheme)	Partial amounts from statutory scheme	Amounts from reclassified scheme	Partial amounts from statutory scheme	Amounts from reclassified scheme
A) Net tangible assets		7,403		**8,024**
Note 7 - Property, plant and equipment	*7,403*		***8,024***	
B) Net intangible assets		760		**752**
Note 8 - Intangible assets	*760*		***752***	
C) Investments		105		**102**
Note 9 - Investments accounted for using the equity method	*115*		***109***	
Note 10 - Other investments	*2*		***1***	
Reclassified from E) - provisions for losses related to investments	*(12)*		***(8)***	
D) Working capital		(506)		**(462)**
Note 2 - Trade and other receivables	*4,330*		***3,504***	
Reclassified to I) - financing receivables not related to operations	*(20)*		***(75)***	
Note 3 - Inventories	*791*		***1,353***	
Note 4 - Current tax assets	*72*		***78***	
Note 5 - Other current tax assets	*218*		***256***	
Note 6 - Other current assets	*275*		***498***	
Note 11 - Other financial assets	*3*		***2***	
Reclassified to I) - financing receivables not related to operations	*(3)*		***(2)***	
Note 12 - Deferred tax assets	*90*		***100***	
Note 13 - Other non-current assets	*39*		***146***	
Note 15 - Trade and other payables	*(5,814)*		***(5,341)***	
Note 16 - Income tax payables	*(166)*		***(244)***	
Note 17 - Other current tax liabilities	*(107)*		***(150)***	
Note 18 - Other current liabilities	*(149)*		***(506)***	
Note 22 - Deferred tax liabilities	*(55)*		***(79)***	
Note 23 - Other non-current liabilities	*(10)*		***(2)***	
E) Provisions for contingencies		(152)		**(201)**
Note 20 - Provisions for contingencies	*(164)*		***(209)***	
Reclassified to C) - provisions for losses related to investments	*12*		***8***	
F) Employee termination indemnities		(193)		**(200)**
Note 21 - Provisions for employee benefits	*(193)*		***(200)***	
CAPITAL EMPLOYED, NET		**7,417**		**8,015**
G) Shareholders' equity		4,060		**4,709**
Note 25 - Saipem shareholders' equity	*4,060*		***4,709***	
H) Minority interest		94		**114**
Note 24 - Minority interest	*94*		***114***	
I) Net borrowings		3,263		**3,192**
Note 1 - Cash and cash equivalents	*(930)*		***(1,029)***	
Note 14 - Short-term debt	*1,002*		***956***	
Note 19 - Long-term debt	*2,887*		***2,576***	
Note 19 - Current portion of long-term debt	*327*		***766***	
Reclassified from D) - financing receivables not related to operations (Note 2)	*(20)*		***(75)***	
Reclassified from D) - financing receivables not related to operations (Note 11)	*(3)*		***(2)***	
FUNDING		**7,417**		**8,015**

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 (€17 million) relating to reimbursements for services that are not part of core operations (€11 million), compensation for damages (€5 million) and gains on disposals of assets (€1 million), which are indicated in the statutory scheme under the item 'other income and revenues', have been recorded as reductions to the corresponding cost items in the reclassified income statement;
- other operating income (expenses) of €3 million have been recorded as reductions to the corresponding cost items in the reclassified income statement;
- the items 'financial income' (€524 million), 'financial expenses' (-€586 million) and 'derivatives' (-€71 million), which are indicated separately under the statutory scheme, are stated under the item 'finance (expense) income' (-€133 million) in the reclassified income statement;
- the items 'effect of accounting using the equity method' (€16 million) and 'other income (expenses) from investments' (€3 million), which are indicated separately under the statutory scheme, are stated net under the item 'net income from investments' (€19 million) of the reclassified income statement.

All other items are unchanged.

Reclassified cash flow statement

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

- the items 'depreciation and amortization' (€608 million), 'net impairment of tangible and intangible assets' (€34 million), 'change in the provision for employee benefits' (€7 million), 'effect of accounting using the equity method' (-€16 million), and 'other changes' (-€6 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'depreciation/amortization and other non-monetary items' (€627 million);
- the items 'income taxes' (€392 million), 'interest expense' (€100 million) and 'interest income' (-€9 million), and, indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends, interests and taxes' (€483 million);
- the items regarding changes in 'other assets and liabilities' (-€776 million), 'inventories' (-€550 million), 'trade receivables' (€826 million), 'trade payables' (€286 million) and 'provisions for contingencies' (€40 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' (-€174 million);
- the items 'dividends received' (€11 million), 'interest received' (€9 million), 'income taxes paid net of refunds of tax credits' (-€285 million) and 'interest paid' (-€111 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' (-€376 million);
- the items relating to investments in 'intangible assets' (-€6 million) and 'tangible assets' (-€1,100 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'capital expenditure' (-€1,106 million);
- the items relating to investments in 'shareholdings' (€0 million) and 'consolidated subsidiaries and businesses' (-€93 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'Investments in shareholdings, consolidated subsidiaries and businesses' (-€93 million);
- the items relating to disposals of 'tangible assets' (€3 million), consolidated subsidiaries and businesses (€7 million) and shareholdings (€8 million), indicated separately and included in cash flow from disposals in the statutory scheme, are shown net under the item 'disposals' (€18 million);
- the items 'financing receivables' (-€56 million) and disposals of 'financing receivables' (€53 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' (-€52 million), net of 'other changes related to financing' (€49 million);
- the items 'proceeds from long-term debt' (€186 million), 'repayments of long-term debt' (-€117 million) and 'increase (decrease) in short-term debt' (-€49 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' (€20 million).

All other items are unchanged.

Consolidated Financial Statements
2011

Balance sheet

		Dec. 31, 2010		Dec. 31, 2011	
(€ million)	Note	Total	*of which with related parties*	Total	*of which with related parties*
ASSETS					
Current assets					
Cash and cash equivalents	(1)	930	509	1,029	572
Trade and other receivables	(2)	4,330	1,073	3,504	880
Inventories	(3)	791		1,353	
Current tax assets	(4)	72		78	
Other current tax assets	(5)	218		256	
Other current assets	(6)	275	165	498	240
Total current assets		**6,616**		**6,718**	
Non-current assets					
Property, plant and equipment	(7)	7,403		8,024	
Intangible assets	(8)	760		752	
Investments accounted for using the equity method	(9)	115		109	
Other investments	(10)	2		1	
Other financial assets	(11)	3		2	
Deferred tax assets	(12)	90		100	
Other non-current assets	(13)	39		146	
Total non-current assets		**8,412**		**9,134**	
TOTAL ASSETS		**15,028**		**15,852**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(14)	1,002	875	956	826
Current portion of long-term debt	(19)	327	126	766	765
Trade and other payables	(15)	5,814	344	5,341	246
Income tax payables	(16)	166		244	
Other current tax liabilities	(17)	107		150	
Other current liabilities	(18)	149	132	506	494
Total current liabilities		**7,565**		**7,963**	
Non-current liabilities					
Long-term debt	(19)	2,887	2,687	2,576	2,376
Provisions for contingencies	(20)	164		209	
Provisions for employee benefits	(21)	193		200	
Deferred tax liabilities	(22)	55		79	
Other non-current liabilities	(23)	10	8	2	-
Total non-current liabilities		**3,309**		**3,066**	
TOTAL LIABILITIES		**10,874**		**11,029**	
SHAREHOLDERS' EQUITY					
Minority interest	(24)	94		114	
Saipem shareholders' equity:	(25)	4,060		4,709	
- share capital	(26)	441		441	
- share premium reserve	(27)	55		55	
- other reserves	(28)	46		23	
- retained earnings		2,758		3,342	
- net profit for the year		844		921	
- treasury shares	(29)	(84)		(73)	
Total shareholders' equity		**4,154**		**4,823**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**15,028**		**15,852**	

Income statement

		2010		2011	
(€ million)	Note	Total	*of which with related parties*	Total	*of which with related parties*
REVENUES					
Net sales from operations	(32)	11,160	2,726	12,593	2,613
Other income and revenues	(33)	17	-	38	3
Total revenues		**11,177**		**12,631**	
Operating expenses					
Purchases, services and other costs	(34)	(7,714)	(106)	(8,749)	(209)
Payroll and related costs	(35)	(1,627)		(1,750)	
Depreciation, amortization and impairment	(36)	(517)		(642)	
Other operating income (expense)	(37)	-	-	3	3
OPERATING PROFIT		**1,319**		**1,493**	
Finance income (expense)					
Finance income		851	-	524	4
Finance expense		(995)	(53)	(586)	(93)
Derivative financial instruments		34	30	(71)	(62)
Total finance income (expense)	(38)	**(110)**		**(133)**	
Income (expense) from investments					
Share of profit of equity-accounted investments		-		16	
Other gain (loss) from investments		30		3	
Total income (expense) from investments	(39)	**30**		**19**	
PROFIT BEFORE INCOME TAXES		**1,239**		**1,379**	
Income taxes	(40)	(345)		(392)	
NET PROFIT		**894**		**987**	
Attributable to:					
- Saipem		844		921	
- minority interest	(41)	50		66	
Earnings per share attributable to Saipem (€ per share)					
Basic	(42)	1.93		2.10	
Diluted	(42)	1.92		2.09	

Statement of comprehensive income

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Net profit	**894**	**987**
Other items of comprehensive income:		
- change in the fair value of cash flow hedges [1]	(94)	(69)
- investments carried at fair value	-	(1)
- exchange rate differences arising from the translation into euro of financial statements currencies other than euro	52	45
- other changes	1	-
- income tax relating to other items of comprehensive income	20	6
Other items of comprehensive income	**(21)**	**(19)**
Total comprehensive income	**873**	**968**
Attributable to:		
- Saipem Group	818	897
- minority interest	55	71

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

Statement of changes in shareholders' equity

(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve	Cumulative currency translation differences	Retained earnings	Net profit for the year	Treasury shares purchased	Total	Minority interest	Total shareholders' equity
	Saipem shareholders' equity												
Balance at December 31, 2008	**441**	**55**	**7**	**87**	**17**	**(89)**	**(85)**	**1,536**	**914**	**(126)**	**2,757**	**21**	**2,778**
2009 net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**732**	**-**	**732**	**43**	**775**
Other items of comprehensive income													
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	167	-	-	-	-	167	-	167
Investments carried at fair value	-	-	-	-	-	-	-	1	-	-	1	-	1
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	(1)	(5)	-	-	-	(6)	(2)	(8)
Total comprehensive income (loss) for 2009	**-**	**-**	**-**	**-**	**-**	**166**	**(5)**	**1**	**732**	**-**	**894**	**41**	**935**
Transactions with shareholders													
Dividend distribution	-	-	-	-	-	-	-	-	(239)	-	(239)	-	(239)
Retained earnings and transfer to legal reserve	-	-	-	1	-	-	-	674	(675)	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	7	7	-	7
Other changes in shareholders' equity													
Cost related to stock options/stock grants	-	-	-	-	-	-	-	8	-	-	8	-	8
Difference between the carrying amount and the strike price of stock options and stock grants exercised by senior managers	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Other changes	-	-	-	-	-	-	-	8	-	-	8	(1)	7
Total	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**689**	**(914)**	**7**	**(217)**	**(1)**	**(218)**
Balance at December 31, 2009	**441**	**55**	**7**	**88**	**17**	**77**	**(90)**	**2,226**	**732**	**(119)**	**3,434**	**61**	**3,495**
2010 net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**844**	**-**	**844**	**50**	**894**
Income (expense) recognized directly in equity													
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	(74)	-	-	-	-	(74)	-	(74)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	47	-	-	-	47	5	52
Other changes	-	-	-	-	-	-	-	1	-	-	1	-	1
Total comprehensive income (loss) for 2010	**-**	**-**	**-**	**-**	**-**	**(74)**	**47**	**1**	**844**	**-**	**818**	**55**	**873**
Transactions with shareholders													
Dividend distribution	-	-	-	-	-	-	-	-	(240)	-	(240)	(23)	(263)
Retained earnings	-	-	-	-	-	-	-	492	(492)	-	-	-	-
Sale (purchase) of treasury shares	-	-	-	-	(17)	-	-	17	-	35	35	-	35
Other changes in shareholders' equity													
Cost related to stock options/stock grants	-	-	-	-	-	-	-	3	-	-	3	-	3
Transactions with companies under common control	-	-	-	-	-	-	-	10	-	-	10	-	10
Other changes	-	-	-	-	-	-	(9)	9	-	-	-	1	1
Total	**-**	**-**	**-**	**-**	**(17)**	**-**	**(9)**	**531**	**(732)**	**35**	**(192)**	**(22)**	**(214)**
Balance at December 31, 2010	**441**	**55**	**7**	**88**	**-**	**3**	**(52)**	**2,758**	**844**	**(84)**	**4,060**	**94**	**4,154**

cont'd Statement of changes in shareholders' equity

	Saipem shareholders' equity												
(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve	Cumulative currency translation differences	Retained earnings	Net profit for the year	Treasury shares purchased	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**
Income (expense) recognized directly in equity													
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
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-
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 (purchase) 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**

Cash flow statement

(€ million)	Note	2010	2011
Net profit for the year		844	921
Minority interest		50	66
Adjustments to reconcile net profit to net cash provided by operating activities:			
- depreciation and amortization	(36)	514	608
- net impairment of tangible and intangible assets	(36)	3	34
- share of profit (loss) of equity-accounted investments	(39)	-	(16)
- net (gains) losses on disposal of assets		(17)	2
- interest income		(8)	(9)
- interest expense		45	100
- income taxes	(40)	345	392
- other changes		1	(6)
Changes in working capital:			
- inventories		293	(550)
- trade receivables		(313)	812
- trade payables		47	286
- provisions for contingencies		(34)	40
- other assets and liabilities		(213)	(762)
Cash flow from working capital		*1,557*	*1,918*
Change in the provision for employee benefits		13	7
Dividends received		6	11
Interest received		6	9
Interest paid		(39)	(111)
Income taxes paid net of refunds of tax credits		(219)	(285)
Net cash provided by operating activities		**1,324**	**1,549**
of which with related parties	(44)	**2,771**	**2,354**
Investing activities:			
- tangible assets	(7)	(1,533)	(1,100)
- intangible assets	(8)	(12)	(6)
- investments	(9)	(4)	-
- consolidated subsidiaries and businesses		-	(93)
- financing receivables		(44)	(56)
Cash flow from investing activities		*(1,593)*	*(1,255)*
Disposals:			
- tangible assets		5	3
- consolidated subsidiaries and businesses		14	7
- investments		34	8
- securities		36	-
- financing receivables		49	53
Cash flows from disposals		*138*	*71*
Net cash used in investing activities [1]		**(1,455)**	**(1,184)**
of which with related parties	(44)	**-**	**-**
Proceeds from long-term debt		2,437	186
Repayments of long-term debt		(1,400)	(117)
Increase (decrease) in short-term debt		(778)	(49)
		259	**20**
Dividends distribution		(263)	(297)
Net purchase of treasury shares		35	11

cont'd
Cash flow statement

(€ million)	Note		2010		2011
Net cash used in financing activities		**31**		**(266)**	
of which with related parties	(44)		**280**		**279**
Effect of changes in consolidation		-		(5)	
Effect of exchange rate changes and other changes on cash and cash equivalents		44		5	
Net cash flow for the year		**(56)**		**99**	
Cash and cash equivalents - beginning of year	(1)	**986**		**930**	
Cash and cash equivalents - end of year	(1)	**930**		**1,029**	

(1) 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'.
Cash flows of such investments were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Financing investments:		
- securities	-	-
- financing receivables	(44)	(56)
	(44)	**(56)**
Disposal of financing investments:		
- securities	36	-
- financing receivables	49	4
	85	**4**
Net cash flows from financing activities	**41**	**(52)**

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[1-2]. The consolidated financial statements have been prepared by applying the cost method, with adjustments where appropriate, except for items that under IFRS must be recognized at fair value, as described in the accounting policies section.
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 performing only limited operating activities are not consolidated. Their non-consolidation is therefore not material and does not have a significant effect on total assets, liabilities, net financial position and profit for the year[3]. 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'.
Consolidated companies, non-consolidated subsidiaries, associates and relevant shareholdings as set forth in Article 126 of Consob Resolution 11971 of May 14, 1999 and subsequent addenda, are indicated separately in the section 'Scope of consolidation at December 31, 2011'. 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. The consolidated financial statements at December 31, 2011, approved by Saipem's Board of Directors on March 13, 2012, 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

Interests in consolidated companies

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.
Jointly controlled entities are accounted for 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. 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.
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. The excess of the purchase price of an acquired entity over the total fair value assigned to assets acquired and liabilities assumed is recognized as goodwill. Negative goodwill is recognized in the income statement. Equity and net profit attributable to minority interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively. 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 recognized, 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[4]. The choice of method is made for each individual business combination on a transaction by transaction basis.
Where control of a company is achieved in stages, the purchase cost is determined by adding the fair value of the previously held ownership interest and the consideration paid for the additional ownership interest. Any difference between the fair value of the previous ownership interest and its carrying amount is recognized in the income statement.
In the event that additional ownership interests in subsidiaries are purchased from minority shareholders, any excess of the amount paid over the carrying amount of the minority interest acquired is recognized directly in equity as goodwill. Similarly, the effects of disposals of ownership interests in a subsidiary that do not result in the loss of control are accounted for as equity transactions.

(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 2011, 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.
(2) Disclosures regarding relations with related parties have been prepared pursuant to the provisions of IAS 24 'Related Party Disclosures', which entered into force at the end of 2011 and which provide an expanded definition of related parties and amend the relevant disclosure requirements.
(3) According to the IASB conceptual framework, 'information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements'.
(4) 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).

The difference between the proceeds from the disposal of the subsidiary and its carrying amount as at the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary, recognized in the separate component of equity in accordance with IAS 21, the 'Effects of changes in foreign exchange rates', is recognized in the consolidated income statement as a gain or loss on the disposal.

Intercompany transactions

Unrealized intercompany profit is eliminated, as are intercompany receivables, payables, revenues and expenses, guarantees (including performance bonds), commitments and risks. 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 the presentation currency 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 recognized in shareholders' equity under the item 'Cumulative currency translation differences' 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 recognized 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:

Currency	Exchange rate at Dec. 31, 2010	Exchange rate at Dec. 31, 2011	2011 average exchange rate
US Dollar	1.3362	1.2939	1.39196
British Pound Sterling	0.86075	0.8353	0.867884
Algerian Dinar	99.2612	97.466	101.519
Angolan Kwanza	123.79	122.618	130.445
Argentine Peso	5.30994	5.56769	5.74525
Australian Dollar	1.3136	1.2723	1.34839
Azerbaijani Manat	1.06739	1.01749	1.09918
Brazilian Real	2.2177	2.4159	2.32651
Canadian Dollar	1.3322	1.3215	1.3761
Croatian Kuna	7.383	7.537	7.43904
Dominican Peso	50.0039	50.0217	52.9068
Egyptian Pound	7.75751	7.80328	8.275
Indian Rupee	59.758	68.713	64.8859
Indonesian Rupee	12,002.1	11,731.5	12,206.5
Malaysian Ringgit	4.095	4.1055	4.2558
Nigerian Naira	203.444	208.165	216.901
Norwegian Kroner	7.8	7.754	7.79337
Peruvian New Sol	3.75086	3.48747	3.83386
Qatar Riyal	4.86375	4.71164	5.06859
Romanian New Leu	4.262	4.3233	4.23909
Russian Rouble	40.82	41.765	40.8846
Saudi Arabian Riyal	5.0106	4.85236	5.22032
Singapore Dollar	1.7136	1.6819	1.74887
Swiss Franc	1.2504	1.2156	1.23261
UAE Dirham	4.90781	4.75237	5.11258

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, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash 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 realizable value.
Work-in-progress relating to long-term contracts is stated on the basis of agreed contract revenue determined with reasonable certainty, recognized 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 relating to differences between amounts matured based on stage of completion and recognized 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 costs denominated 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 recognized when realization is probable and the amount can be reliably estimated.
Expected losses on contracts are recognized 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 with gains or losses recognized, respectively, in the income statement under 'Finance income (expense)'[5] and in the equity reserve related to 'Other items of comprehensive income', respectively. In the case of available-for-sale financial assets, changes in fair value recognized 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.
Available-for-sale financial assets include financial assets other than derivative financial instruments, loans and receivables, held-for-trading financial assets and held-to-maturity financial assets.
The fair value of financial instruments is determined by market quotations or, in their absence, by the value resulting from the adoption of suitable financial valuation models which take into account all the factors adopted by the market operators and the prices obtained in similar recent transactions in the market.
Interest and dividends on financial assets stated at fair value are accounted for on an accrual basis as 'Finance income (expense)' 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 amortized cost (see 'Financial fixed assets - Receivables and financial assets held to maturity').
Transferred financial assets are derecognized 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 recognized 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 the borrowing costs incurred that could have otherwise been saved had the investment not been made. The purchase or production costs are net of government grants related to assets, which are only recognized 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 recognized 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 recognized 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.

(5) From 2009, changes in the fair value of non-hedging commodity derivatives, including the effects of settlements, are recognized under 'Other operating income and expenses'.

Expenditures on renewals, improvements and transformations that extend the useful lives of the related asset are capitalized.
Tangible assets are systematically depreciated using a straight-line method over their useful life, which is an estimate of the period for which the assets will be used by the company. When tangible assets comprise 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').
Replacement costs of identifiable components in complex assets are capitalized 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. If there is no binding sales agreement, fair value is estimated on the basis of market values of recent transactions, or the best available information that shows the proceeds that the company could reasonably expect to collect from the disposal of assets.
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 realizable value of single assets cannot be determined, for the smallest identifiable group of assets that generates independent cash inflows from their continuous use (i.e. a cash generating unit). 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 recognized.
Tangible assets destined for specific operating projects, for which no further future use is envisaged due to the characteristics of the asset itself or high usage during project execution are depreciated over the duration of the project.

Intangible assets

Intangible assets are assets without physical substance, controlled by the company and capable of producing future economic benefits, and 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 ability to obtain the future economic benefits relating to an asset and to restrict the access of others to those benefits. Intangible assets are stated at cost as determined with the criteria used for tangible assets.
Intangible assets with a defined useful life are amortized systematically over their useful life estimated as the period over which the assets will be used by the company. The amount to be amortized 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 amortized. 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 smallest aggregate (cash generating unit) on which the company, directly or indirectly, evaluates the return on the capital expenditure to which goodwill relates. The cash generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use, and that are largely independent of the cash inflows from other assets or groups of assets. If the carrying amount of the cash generating unit, including goodwill allocated thereto, exceeds the cash generating unit's recoverable amount[6], the excess is recognized 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[7].

Costs of technological development activities

Costs of technological development activities are capitalized when the company can prove that:

(a) there is the technical capacity to complete the asset and make it available for use or sale;
(b) there is the intention to complete the asset and make it available for use or sale;
(c) it is possible to make the asset available for use or sale;

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

(d) it can be shown that the asset is able to produce future economic benefits;
(e) technical, financial and other resources are available to complete development of the asset and make the asset available for use or sale;
(f) the cost attributable to the intangible asset can be reasonably determined.

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 recognized in the income statement.

Financial fixed assets

INVESTMENTS

Investments in subsidiaries excluded from consolidation and associates are accounted for using the equity method.
Under the equity method, the investment is initially recognized at cost and subsequently 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. 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 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'.
Other investments, included in non-current assets, are recognized at their fair value and their effects are included in the equity reserve related to 'Other items of comprehensive income'. Changes in fair value recognized in equity are charged to the income statement when the investment is sold or impaired. When investments are not traded in a public market and fair value cannot be reasonably determined, investments are accounted for at cost, adjusted for impairment losses; impairment losses may not be reversed[8].
An investor's share of losses exceeding the carrying amount of an investment is recognized in a specific provision to the extent that investor is required to fulfil legal or implicit obligations towards the investee or to cover its losses.

RECEIVABLES AND HELD-TO-MATURITY FINANCIAL ASSETS

Receivables and financial assets to be held to maturity are stated at cost represented by the fair value of the initial exchanged amount adjusted to take into account direct external costs related to the transaction (e.g. fees of agents or consultants, etc.). The initial carrying value is then adjusted to take into account capital repayments, impairment charges and amortization of the difference between the reimbursement value and the initial carrying value. Amortization is carried out on the basis of the effective interest rate computed at initial recognition, which is the rate that exactly discounts the present value of estimated future cash flows to the initial carrying value (i.e. the amortized cost method). Receivables for finance leases are recognized 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 recognized 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 at the moment of its updating to reflect contractually established re-pricings (see also 'Current assets'). Receivables and held-to-maturity financial assets are recognized less any 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 amortized cost valuation are recognized as 'Finance income (expense)'.

Non-current assets held for sale

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 recognized in the balance sheet separately from the entity's other assets and liabilities.
Non-current assets held for sale are not depreciated and are measured at the lower of the fair value less costs to sell and their carrying amount.
The classification of participating interests 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 recognized up to the cumulative impairment losses, including those recognized prior to qualification of the asset as held for sale.
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 will be retained in the former subsidiary after the sale.

(8) Impairment charges are not reversed even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the subsequent interim period.

Financial liabilities

Debt is carried at amortized 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 fulfilled or cancelled or when it has expired.

Provisions for contingencies

Provisions for risks and charges 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 recognized 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; (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 a third parties at the balance sheet date. The amount recognized for onerous contracts is the lower of the net cost of fulfilling the contract obligations, considering the economic benefits expected to be received under the contract 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 recognized 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. The income statement charge is made through the depreciation process.

The costs that the company expects to bear to carry out restructuring plans are recognized 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. Estimate revisions for a provision are recognized in the same income statement item that previously held the provision, or, when the liability regards tangible assets (i.e. site restoration and abandonment), with a corresponding entry to the assets to which they refer.

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; (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.

Provision for employee benefits

Post-employment benefit plans, including constructive obligations, are classified as either 'defined contribution plans' or 'defined benefit plans', depending on the economic substance of the plan as derived from its principal terms and conditions. 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 actuarial gains and losses of defined benefit plans are recognized pro-rata on service in the income statement using the corridor method, if and to the extent that the net cumulative actuarial gains and losses unrecognized at the end of the previous reporting period exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of the plan assets, over the expected average remaining working lives of the employees participating in the plan.

Obligations for long-term benefits are determined by adopting actuarial assumptions. The effect of changes in actuarial assumptions or a change in the characteristics of the benefit are taken to profit or loss in their entirety.

Treasury shares

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

Revenues

The revenues related to contract work-in-progress are recognized on the basis of contractual revenues by reference to the stage of completion of a contract measured on a cost-to-cost basis. Revenues for contract work-in-progress in a foreign currency are recognized at the euro exchange rate on the date when the stage of completion of a contract is measured. This value is adjusted to take into account exchange differences arising on derivatives that qualify for hedge accounting.

Advances are recognized 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 instance 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 recognized 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 recognized 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 recognized 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 recognized when the related goods and services are sold, consumed or allocated, or when their future benefits cannot be determined.

Operating lease payments are recognized 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.
Given their compensatory nature, labour costs also include stock options granted to senior managers. The instruments granted are recorded at fair value on the vesting date, plus any charges borne by the employer (social security contributions and employee termination indemnities) and are not subject to subsequent adjustments. The current portion is calculated pro rata over the vesting period[9]. The fair value of stock options is determined using valuation techniques which consider conditions related to the exercise of options, current share prices, 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'.
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 capitalized (see 'Tangible assets') 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 into the functional currency by applying 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. The effect is recognized 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 (i.e. at their recoverable amount or realizable value), are translated at the exchange rate applicable on the date of re-measurement.

Dividends

Dividends are recognized 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 recognized 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 recognized 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 recognized when their realization is considered probable.
Similarly, unused tax credits and deferred tax assets on tax losses are recognized to the extent that they can be recovered.
For temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, 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 recognized under 'Deferred tax assets' or, if negative, under 'Deferred tax liabilities'.
When the results of transactions are recognized directly in shareholders' equity, current taxes, deferred tax assets and liabilities are also charged to shareholders' 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; (iii) it is settled at a future date.
Derivatives, including embedded derivatives that are separated from the host contract, are assets and liabilities recognized at their fair value, which is estimated using the criteria described in the section 'Current assets'.
Consistently with its business requirements, Saipem classifies derivatives as hedging instruments whenever possible.
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 is high and is tested regularly. When hedging instruments cover the risk of changes in the fair value of the hedged item (fair value hedge; e.g. hedging of changes in the fair value of fixed rate assets/liabilities), they are stated at fair value, with changes taken to the income statement. Hedged items are accordingly adjusted to reflect changes in their fair value attributable to the hedged risk.
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 recognized 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 and is recognized 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)'.

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

Financial statement[10]

Assets and liabilities of the balance sheet are classified as current and non-current. Items of the income statement are presented by nature[11].
The statement of comprehensive income shows net profit together with incomes and expenses that are recognized 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.

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 defined by the Parent Company, with the objective of aligning and coordinating Saipem Group policies on financial risks.
For details on industrial risks, see the 'Risk management' section in the Directors' Report.

MARKET RISK

Market risk is the possibility that changes in currency exchange rates, interest rates or commodity prices will adversely affect the value of the Group's financial assets, liabilities or expected future cash flows. Saipem actively manages market risk in accordance with a set of policies and guidelines that provide a centralized 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 Group 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 minimize economic and transactional exposures arising from foreign currency movements. 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. Such derivatives are evaluated by the Finance Unit of Eni SpA at fair value on the basis of market prices provided by specialized sources. Planning, coordination and management of this activity at Group level is 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 2011 was highest in order to calculate the effect on the income statement and shareholders' equity of hypothetical positive and negative variations of 10% in the exchange rates.
The analysis was performed for all relevant financial assets and liabilities denominated in the currencies considered and regarded in particular the following items:
- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short and long-term financial liabilities.

For exchange rate derivatives, the sensitivity analysis on fair value was conducted by comparing the conditions underlying the forward price fixed in the contract (i.e. spot exchange rate and interest rate) with spot rates and interest rate curves corresponding to the relevant contractual maturity dates, on the basis of year-end exchange rates subjected to hypothetical positive and negative changes of 10%, with the resulting effects weighted on the basis of the notional amounts.
The analysis did not examine the effect of exchange rate fluctuations on the measurement of work in progress because work in progress does not constitute a financial asset under IAS 32. Moreover, the analysis regards exposure to exchange rate risk in accordance with IFRS 7 and therefore does not consider the effects of the conversion of financial statements of consolidated companies with functional currencies other than the euro.
A positive variation in exchange rates between the foreign currencies examined and the euro (i.e. depreciation of the euro against the other currencies) would have produced an overall effect on pre-tax profit of -€113 million (-€7 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects, of -€364 million (-€328 million at December 31, 2010).
Meanwhile, a negative variation in exchange rates between the foreign currencies examined and the euro (i.e. appreciation of the euro against the other currencies) would have produced an overall effect on pre-tax profit of €76 million (€27 million at December 31, 2010) and an overall

(10) The structure of the financial statements is the same as that used in the 2010 Annual Report, with the exception of the statement of comprehensive income for which the effects of the sale of businesses to companies under common control are, for reasons of comparability with 2011, recognized in shareholders' equity under 'Other changes in shareholders' equity', without, however, producing any effects either on shareholders' equity or on net profit for the year.
(11) 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'.

effect on shareholders' equity, before related tax effects, of €311 million (€333 million at December 31, 2010).

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 assets and liabilities exposed to exchange rate fluctuations.

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

	2010				2011			
	+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	(34)	(355)	49	355	(126)	(377)	88	323
Trade and other receivables	107	107	(87)	(87)	117	117	(96)	(96)
Trade and other payables	(83)	(83)	68	68	(106)	(106)	86	86
Cash and cash equivalents	23	23	(19)	(19)	25	25	(20)	(20)
Short-term debt	(4)	(4)	3	3	(4)	(4)	3	3
Medium/long-term debt	(16)	(16)	13	13	(19)	(19)	15	15
Total	**(7)**	**(328)**	**27**	**333**	**(113)**	**(364)**	**76**	**311**

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

		Dec. 31, 2010			Dec. 31, 2011		
(€ million)	Currency	Total	Δ -10%	Δ +10%	Total	Δ -10%	Δ +10%
Receivables							
	USD	901	(82)	100	963	(88)	107
	PLN	-	-	-	37	(3)	4
	GBP	18	(2)	2	21	(2)	2
	PEN	-	-	-	19	(2)	2
	Other currencies	39	(3)	5	15	(1)	2
Total		**958**	**(87)**	**107**	**1,055**	**(96)**	**117**
Payables							
	USD	658	60	(73)	613	56	(68)
	NOK	17	2	(2)	134	12	(15)
	GBP	59	5	(7)	91	8	(10)
	PLN	-	-	-	53	4	(6)
	SGD	-	-	-	28	3	(3)
	Other currencies	16	1	(1)	32	3	(4)
Total		**750**	**68**	**(83)**	**951**	**86**	**(106)**

Interest rate risk

Interest rate fluctuations affect the market value of a company's financial assets and liabilities and its net financial 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 Saipem Group level is likewise the responsibility of the Treasury Department, which closely monitors the correlation between derivatives and their underlying flows and ensures their correct accounting representation in compliance with International Financial Reporting Standards. Such derivatives are evaluated at fair value by the Treasury Department of Eni SpA on the basis of market standard evaluation models as well as market prices and input provided by specialist sources. No interest rate swaps were in force at December 31, 2011.

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 -€6 million (-€5 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects of -€6 million (-€5 million at December 31, 2010). A negative variation in interest rates would have produced an overall effect on pre-tax profit of €6 million (€5 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects of €6 million (€5 million at December 31, 2010).
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 following table shows the effects of the above sensitivity analysis on balance sheet and income statement items.

	2010				2011			
	+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)	1	1	(1)	(1)
Short-term debt	(2)	(2)	2	2	(3)	(3)	3	3
Medium/long-term debt	(4)	(4)	4	4	(4)	(4)	4	4
Total	**(5)**	**(5)**	**5**	**5**	**(6)**	**(6)**	**6**	**6**

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 organized 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.
Such derivatives are evaluated at fair value by the Treasury Department of Eni SpA on the basis of market standard evaluation models and market prices provided by specialized sources. With regard to commodity risk hedging instruments, a 10% positive variation in the underlying rates would have produced an overall effect on pre-tax profit of €1 million (€0.1 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects, of €3 million (€5 million at December 31, 2010). A 10% negative variation in the underlying rates would have produced an overall effect on pre-tax profit of -€1 million (-€0.1 million at December 31, 2010) and an overall effect on shareholders' equity, before related tax effects, of -€3 million (-€5 million at December 31, 2010).
The increases (decreases) with respect to the previous year are 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 issued by the Treasury Department of Saipem in compliance with the centralized 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, 2011, Saipem has 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, optimizing 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 the availability of adequate funding to meet short-term requirements and obligations and a sufficient level of operating flexibility to fund Saipem's development plans, while maintaining an adequate finance structure in terms of debt composition and maturity.
As of December 31, 2011, Saipem maintained unused borrowing facilities of €1,706 million. In addition, Eni SpA provides lines of credit to Saipem

SpA under Eni Group centralized 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)	2012	2013	2014	2015	2016	After	Total
Long-term debt	766	447	258	1,210	211	450	3,342
Short-term debt	956	-	-	-	-	-	956
Fair value of derivative instruments	501	-	-	-	-	-	501
	2,223	**447**	**258**	**1,210**	**211**	**450**	**4,799**
Interest on debt	77	66	56	41	25	38	303

Trade and other payables

	Maturity			
(€ million)	2012	2013-2016	After	Total
Trade payables	2,954	-	-	2,954
Other payables and advances	2,387	2	-	2,389

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)	2012	2013	2014	2015	2016	After	Total
Non-cancellable operating leases	119	61	36	31	32	55	334

The table below summarizes Saipem's capital expenditure commitments for property, plant and equipment, for which procurement contracts have been entered into.

	Maturity	
(€ million)	2012	2013
Committed on major projects	89	-
Other committed projects	112	-
Total	**201**	**-**

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 judgments, past experience and assumptions determined to be 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.

Summarized 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 judgments, assumptions and estimates regarding matters that are inherently uncertain. Changes in the conditions underlying such judgments, 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 realization is probable and the amount can be reliably estimated.

IMPAIRMENT OF ASSETS

Impairment losses are recognized if events and changes in circumstances indicate that the carrying amount tangible and intangible assets may not be recoverable.

Impairment is recognized in the event of significant permanent changes in the outlook for the market segment in which the asset is used. Determining as to whether and how much an asset is impaired involves management estimates on complex and highly uncertain factors, such as

future market performances, the effects of inflation and technological improvements on operating costs, and the outlook for global or regional market supply and demand conditions.
The amount of an impairment loss is determined by comparing the carrying value of an asset with its recoverable amount, and value in use, net of disposal costs.
The recoverable amount is the greater of the asset's fair value less costs to sell and its 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, net of disposal costs. The expected future cash flows used for impairment reviews are based on judgmental 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 amortized. 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 cash-generating unit level, i.e. the smallest aggregate on which the company, directly or indirectly, evaluates the return on the capital expenditure. If the recoverable amount of a cash generating unit is lower than the carrying amount, goodwill attributed to that cash generating unit is impaired up to that difference; if the carrying amount of goodwill is less than the amount of impairment, 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 allocation of the purchase price to the various assets and liabilities of the acquired business at their respective fair values. Any positive residual difference is recognized as goodwill. Negative residual differences are credited to the income statement. Management uses all available information to make these fair value determinations and, for major business acquisitions, typically engages an independent appraisal firm to assist in the fair value determination of the acquired assets and liabilities.

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.

PROVISION 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 return on plan assets, expected rates of salary increases, medical cost trend rates, estimated retirement dates and mortality rates.
The significant assumptions used to account for pensions and other post-retirement benefits are determined as follows: (i) discount and inflation rates reflect the rates at which the benefits could be effectively settled, taking into account the duration of the obligation. Indicators used in selecting the discount rate include rates of annuity contracts and rates of return on high-quality fixed-income investments (such as government bonds). The inflation rates reflect market conditions observed country by country; (ii) the future salary levels of the 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) healthcare 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 healthcare cost trends including healthcare inflation, changes in healthcare utilization, and changes in health status of the participants; (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; and (v) determination of the expected rates of return on assets is made through compound averaging. For each plan, the distribution of investments among bonds, equities and cash and their specific average expected rate of return is taken into account.
Differences between expected and actual costs and between the expected return and the actual return on plan assets routinely occur and are called actuarial gains and losses. Saipem employs the corridor method to amortize its actuarial gains and losses. This method amortizes on a pro-rata basis the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period that exceed 10% of the greater of (i) the present value of the defined benefit obligation; and (ii) the fair value of plan assets, over the average expected remaining working lives of the employees participating in the plan.
Additionally, obligations for other long-term benefits are determined by adopting actuarial assumptions. The effect of changes in actuarial assumptions or a change in the characteristics of the benefit are taken to profit or loss in their entirety.

Recent accounting principles

Accounting standards and interpretations issued by IASB/IFRIC and endorsed by the European Union
European Commission Regulation No. 1205/2011 of November 22, 2011 approved the amendments to IFRS 7 'Financial Instruments: Disclosures', which introduced new disclosure requirements. The amendments, which specifically regard the transfer of financial assets, requires a description of the risks associated with the transferred assets to which a company is exposed and also requires specific disclosures if a substantial proportion of total transfer activity takes place in the closing days of a reporting period. The new provisions shall be applied for annual periods beginning on or after July 1, 2011 (for Saipem: 2012 financial statements).

Accounting standards and interpretations issued by IASB/IFRIC and not yet endorsed by the European Union
On November 12, 2009, 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 amortized cost; (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 recognized in profit or loss. If these investments are not held for trading purposes, subsequent changes in the fair value can be recognized in other comprehensive income, with only dividend income recognized in profit or loss. Amounts

taken to other 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 recognized in profit or loss in order to avoid an accounting mismatch with related assets. The document 'Mandatory effective date and transition disclosures' issued on December 16, 2011 by the IASB moved the mandatory effective date of IFRS 9 to financial years beginning on or after January 1, 2015 (the previous provisions referred to January 1, 2013).

On May 12, 2011, the IASB issued IFRS 10 'Consolidated Financial Statements' and the revised version of IAS 27 'Separate Financial Statements', which establish principles for the presentation and the preparation of consolidated financial statements 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, 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 recognizes 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 revised standard shall be applied for annual periods beginning on or after January 1, 2013.

On May 12, 2011, the IASB issued IFRS 11 'Joint Arrangements' and the revised 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 ventures – and determines the appropriate accounting to be used for their recognition in the financial statements. For interests in joint ventures, the new version of IFRS 11 requires the use of the equity method of accounting for interests in joint ventures, thereby eliminating the option to apply the proportionate consolidation method. 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 revised standards shall be applied for annual periods beginning on or after January 1, 2013.

On May 12, 2011, the IASB issued IFRS 12 'Disclosure of Interests in Other Entities', which establishes disclosure requirements for financial statements in respect of subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 provisions shall be applied for annual periods beginning on or after January 1, 2013.

On May 12, 2011, the IASB issued IFRS 13 'Fair Value Measurement', which establishes a framework for measuring fair value and disclosure requirements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 provisions shall be applied for annual periods beginning on or after January 1, 2013.

On June 16, 2011, the IASB issued 'Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income', which introduces the requirement for entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently in accordance with the relevant IFRS. IAS 1 provisions shall be applied for annual periods beginning on or after July 1, 2012 (for Saipem: 2013 financial statements).

On June 16, 2011, the IASB issued an amended new version of IAS 19 'Employee Benefits', which introduced, amongst other things, (i) the requirement to immediately recognize all actuarial gains and losses through other comprehensive income, thereby eliminating the option to apply the corridor method. The actuarial gains and losses recognized in the statement of comprehensive income are not subsequently taken to the income statement and (ii) the elimination of the separate presentation of the cost components for defined benefit liabilities represented by the expected return of plan assets and interest costs, and its replacement with the 'net interest' aggregate. The latter is determined by applying the discount rate for liabilities to liabilities net of plan assets. The new version also introduced enhanced disclosures regarding defined benefit plans. IAS 19 provisions shall be applied for annual periods beginning on or after January 1, 2013.

On December 16, 2011, the IASB issued the Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (hereinafter 'Amendments to IAS 32') and the Amendments to IFRS 7 'Disclosures - Offsetting Financial Assets and Financial Liabilities' (hereinafter 'Amendments to IFRS 7') which set out, respectively, the criteria to be adopted for the offsetting of financial assets and liabilities and related reporting obligations. Specifically, the Amendments to IAS 32 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. The provisions contained in the Amendments to IAS 32 shall be applied for annual periods beginning on or after January 1, 2014, whereas the Amendments to IFRS 7 regarding reporting shall be applied for annual periods beginning on or after January 1, 2013.

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

Scope of consolidation at December 31, 2011

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 Corporate SpA Saipem SpA Third parties	42.91 0.71 56.38		

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		Co.
Saipem Energy Services SpA	San Donato Milanese	EUR	9,020,216	Saipem SpA	100.00	100.00	F.C.
Servizi Energia Italia SpA	Marghera	EUR	291,000	Saipem Energy Services SpA	100.00	100.00	F.C.
Snamprogetti Chiyoda sas di Saipem SpA	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	99.90 0.10	99.90	F.C.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's Consolidation	Method of consolidation or accounting principle (*)
Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	5,494,210	Saipem SpA Snamprogetti Netherlands BV	99.00 1.00	100.00	F.C.
Boscongo sa	Pointe Noire (Congo)	XAF	1,597,805,000	Saipem sa Third parties	99.99 0.01	100.00	F.C.
BOS Investment Ltd (**)	New Malden - Surrey (United Kingdom)	GBP	20,000	Saipem sa	100.00	100.00	F.C.
BOS-UIE Ltd (**)	New Malden - Surrey (United Kingdom)	GBP	19,998	BOS Investment Ltd	100.00	100.00	F.C.
Construction Saipem Canada Inc	Montreal (Canada)	CAD	1,000	Snamprogetti Canada Inc	100.00	100.00	F.C.
Ersai 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	Ersai Caspian Contractor Llc	100.00		E.M.
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		E.M.
Medsai SAS (ex SAS Port de Tanger Société par Actions Simplifiée Unipersonelle)	Montigny le Bretonneux (France)	EUR	37,000	Saipem sa	100.00	100.00	F.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's Consolidation	Method of consolidation or accounting principle (*)
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.
Nigerian Services & Supply Co Ltd (**) (***)	Lagos (Nigeria)	NGN	40,000,000	Saipem sa	100.00		E.M.
North Caspian Service Co Llp	Almaty (Kazakhstan)	KZT	1,910,000,000	Saipem International BV	100.00	100.00	F.C.
Petrex SA	Iquitos (Peru)	PEN	485,469,045	Saipem International BV	100.00	100.00	F.C.
Professional Training Center Llc (***)	Karakiyan District, Mangistau Oblast (Kazakhstan)	KZT	1,000,000	Ersai Caspian Contractor Llc	100.00		E.M.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	111,290,000	Saipem International BV Saipem Asia Sdn Bhd	68.55 31.45	100.00	F.C.
Sagio - Companhia Angolana de Gestão de Instalaçao Offshore Lda	Luanda (Angola)	AOA	1,600,000	Saipem International BV Third parties	60.00 40.00		E.M.
Saigut SA de CV	Col Juarez (Mexico)	MXN	90,050,000	Saimexicana SA de CV	100.00	100.00	F.C.
Saimexicana SA de CV	Col Juarez (Mexico)	MXN	232,438,000	Saipem sa	100.00	100.00	F.C.
Saipem (Beijing) Technical Services Co Ltd	Beijing (China)	USD	250,000	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	Funchal (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 Samic y F. (**) (***)	Buenos Aires (Argentina)	ARS	444,500	Saipem International BV Third parties	99.58 0.42		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	Sydney (Australia)	AUD	10,661,000	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting (Nigeria) Ltd	Lagos (Nigeria)	NGN	827,000,000	Saipem International BV Third parties	97.94 2.06	97.94	F.C.
Saipem Contracting Algérie SpA	Hassi Messaoud (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 Serviçõs de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	345,081,299	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Co Pvt Ltd	Mumbai (India)	INR	50,273,400	Saipem International BV Saipem sa	49.73 50.27	100.00	F.C.
Saipem Engineering Nigeria Ltd (**) (***)	Lagos (Nigeria)	NGN	75,000,000	Saipem International BV Third parties	95.00 5.00		E.M.
Saipem India Project Ltd	Chennai (India)	INR	407,000,000	Saipem sa	100.00	100.00	F.C.
Saipem Ingenieria y Construcciones S.L.U. (***)	Madrid (Spain)	EUR	40,000	Saipem International BV	100.00		E.M.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's Consolidation	Method of consolidation or accounting principle (*)
Saipem Libya Limited Liability Company - 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 Logistics Services Ltd (**) (***)	Lagos (Nigeria)	NGN	55,000,000	Saipem International BV	100.00		E.M.
Saipem Ltd	New Malden - 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 Sarl Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.99 0.01	100.00	F.C.
Saipem Maritime Asset Management Luxembourg Sarl	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 A/S	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Offshore Norway A/S	Sola (Norway)	NOK	100,000	Saipem SpA	100.00	100.00	F.C.
Saipem Qatar Llc	Doha (Qatar)	QAR	2,000,000	Saipem International BV Third parties	49.00 51.00		E.M.
Saipem sa	Montigny le Bretonneux (France)	EUR	26,488,695	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de CV	Col Juarez (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	New Malden - Surrey (United Kingdom)	GBP	6,470,000	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.
Sairus Llc (ex Katran-K Llc)	Krasnodar (Russian Federation)	RUB	1,603,800	Saipem International BV	100.00	100.00	F.C.
Sajer Iraq Company 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.
Shipping and Maritime Services Ltd (**) (***)	Lagos (Nigeria)	NGN	13,000,000	ERS - Equipment Rental & Services BV	100.00		E.M.
Sigurd Rück AG	Zurich (Switzerland)	CHF	25,000,000	Saipem International BV	100.00	100.00	F.C.
Snamprogetti Canada Inc	Montreal (Canada)	CAD	100,100	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.
(***) Inactive throughout the year.

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's Consolidation	Method of consolidation or accounting principle (*)
Snamprogetti Engineering BV	Amsterdam (Netherlands)	EUR	18,151	Saipem Maritime Asset Management Luxembourg Sarl	100.00	100.00	F.C.
Snamprogetti Ltd	Basingstoke (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 Management Services SA (**)	Geneva (Switzerland)	CHF	300,000	Snamprogetti Netherlands BV Third parties	99.99 0.01		E.M.
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 AS	Sola (Norway)	NOK	1,882,000	Saipem International BV	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.
Star Gulf Free Zone Co	Dubai (United Arab Emirates)	AED	500,000	Saipem International BV Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	80.00 20.00	100.00	F.C.
TBE Ltd (**)	Damietta (Egypt)	EGP	50,000	Saipem sa Third parties	70.00 30.00		E.M.
Terminal Portuàrio do Guarujá SA	Guarujá - San Paolo (Brazil)	BRL	24,257,206	Saipem do Brasil Serviçõs de Petroleo Ltda	100.00	100.00	F.C.
Varisal - Serviços de Consultadoria e Marketing, Unipessoal Lda	Funchal (Portugal)	EUR	500,000	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.

Associates 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		E.M.
Consorzio F.S.B.	Venice	EUR	15,000	Saipem Energy Services SpA Third parties	28.00 72.00		Co.
Consorzio Libya Green Way (***)	San Donato Milanese	EUR	100,000	Saipem SpA Third parties	26.50 73.50		E.M.
Milano-Brescia-Verona Scarl	San Donato Milanese	EUR	50,000	Saipem SpA Third parties	52.00 48.00		E.M.
Modena Scarl (**)	San Donato Milanese	EUR	400,000	Saipem SpA Third parties	59.33 40.67	59.33	P.C.
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		E.M.
SP - TKP Fertilizer Srl (**)	San Donato Milanese	EUR	50,000	Saipem SpA Third parties	50.00 50.00		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		E.M.
Bonny Project Management Co Ltd	Greenford (United Kingdom)	GBP	1,000	LNG - Serviços e Gestão de Projectos Lda	100.00		E.M.
BOS Shelf Ltd Society	Baku City (Azerbaijan)	AZN	2,000	Star Gulf Free Zone Co Third parties	50.00 50.00	50.00	P.C.
Caspian Barge Builders Pte Ltd (**) (***)	Singapore (Singapore)	SGD	2	Saipem Singapore Pte Ltd Third parties	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.
Dalia Floater Angola Snc	Paris la Défense (France)	EUR	0	Saipem sa Third parties	27.50 72.50	27.50	P.C.
Fertilizantes Nitrogenados de Oriente CEC	Caracas (Venezuela)	VEB	9,667,827,216	Snamprogetti Netherlands BV Third parties	20.00 80.00		E.M.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's Consolidation	Method of consolidation or accounting principle (*)
Fertilizantes Nitrogenados de Oriente SA	Caracas (Venezuela)	VEB	286,549	Snamprogetti Netherlands BV Third parties	20.00 80.00		E.M.
FPSO Mystras (Nigeria) Ltd (***)	Lagos (Nigeria)	NGN	15,000,000	FPSO Mystras - Produção de Petròleo Lda	100.00		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 Suporto Logistico Lda	Luanda (Angola)	AOA	25,510,204	Saipem sa Third parties	40.00 60.00		E.M.
LNG - Serviços e Gestão de Projectos Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00		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.
Nigetecsa Free Zone Enterprise (***)	Olokola (Nigeria)	USD	40,000	Saipem International BV Third parties	50.00 50.00		E.M.
ODE North Africa Llc	Maadi - Cairo (Egypt)	EGP	100,000	Offshore Design Engineering Ltd	100.00		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	37,000	Sofresid Engineering sa Third parties	32.50 67.50		E.M.
Saibos Akogep Snc	Montigny le Bretonneux (France)	EUR	39,000	Saipem sa Third parties	70.00 30.00	70.00	P.C.
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		E.M.
Saipon snc	Montigny le Bretonneux (France)	EUR	20,000	Saipem sa Third parties	60.00 40.00	60.00	P.C.
Servicios de Construçiones Caucedo sa (**)	Santo Domingo (Dominican Republic)	DOP	100,000	Saipem sa Third parties	49.70 50.30		E.M.
Société pour la Réalisation du Port de Tanger Méditerranée	Anjra (Morocco)	EUR	33,000	Medsai SAS 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		E.M.
T.C.P.I. Angola Tecnoprojecto Internacional sa	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00		E.M.
Tchad Cameroon Maintenance BV	Rotterdam (Netherlands)	EUR	18,000	Saipem sa Third parties	40.00 60.00		E.M.
Technip-Zachry-Saipem LNG Lp	Houston (USA)	USD	5,000	TZS Llc (NV) TZS Llc (TX)	99.00 1.00	20.00	P.C.
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	Porto Salvo - Concelho de Oeiras (Portugal)	EUR	700,000	Saipem sa Third parties	42.50 57.50		E.M.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's Consolidation	Method of consolidation or accounting principle (*)
TMBYS sas	Guyancourt (France)	EUR	30,000	Saipem sa Third parties	33.33 66.67	33.33	P.C.
TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	Funchal (Portugal)	EUR	5,000	TSKJ - Servições de Engenharia Lda	100.00		E.M.
TSKJ - Nigeria Ltd	Lagos (Nigeria)	NGN	50,000,000	TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	100.00		E.M.
TSKJ - Servições de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00		E.M.
TZS Llc (NV)	Reno (USA)	USD	10,000	Saipem America Inc Third parties	20.00 80.00	20.00	P.C.
TZS Llc (TX)	San Antonio (USA)	USD	5,000	Saipem America Inc Third parties	20.00 80.00	20.00	P.C.

The Saipem Group comprises 129 companies: 65 are consolidated using the full consolidation method, 24 with the proportionate consolidation method, 38 with the equity method and 2 with the cost method.

At December 31, 2011 the companies of Saipem SpA can be broken down as follows:

	Subsidiaries			Associates and joint venture		
	Italy	**Abroad**	**Total**	**Italy**	**Abroad**	**Total**
Subsidiaries and their participating interests	**3**	**62**	**65**	**4**	**20**	**24**
Companies consolidated using the full consolidation method	3	62	65	-	-	-
Companies consolidated using the proportional method	-	-	-	4	20	24
Participating interests held by consolidated companies (1)	**1**	**13**	**14**	**6**	**20**	**26**
Accounted for using the equity method	-	13	13	5	20	25
Accounted for using the cost method	1	-	1	1	-	1
Total subsidiaries	**4**	**75**	**79**	**10**	**40**	**50**

(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, 2010, are detailed below in date order:

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:
- **Snamprogetti Africa (Nigeria) Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Modena Scarl**, consolidated using the proportionate method, was placed into liquidation;
- the **Consorzio Libya Green Way**, with registered offices in Italy, was incorporated and is accounted for using the equity method;
- **Starstroi Llc**, previously consolidated using the proportionate method, was sold to third parties;
- **Starstroi Maintenance Llc**, previously accounted for using the equity method, was wholly owned by third parties following the sale of Starstroi Llc;
- **Moss Offshore AS**, previously consolidated using the full consolidation method, was merged by incorporation into Moss Maritime AS;
- **Petromar Lda**, previously consolidated using the full consolidation method, was consolidated using the proportionate method;
- **Saipem Norge A/S**, previously consolidated using the equity method, was consolidated using the full consolidation method, due to its increased materiality;
- **Consorzio Snamprogetti - ABB LG Chemicals** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem Ingenieria y Construcciones S.L.U.**, with registered offices in Spain, was incorporated and is accounted for using the equity method;
- **Saipem Australia Pty Ltd**, previously consolidated using the equity method, was consolidated using the full consolidation method, due to its increased materiality;
- **TBE Ltd**, consolidated using the equity method, was placed into liquidation;
- **Hazira Marine Engineering & Construction Management Pvt Ltd**, previously accounted for using the equity method, was merged by incorporation into Saipem Drilling Co Pvt Ltd;
- **Moss Krilov Maritime OOO**, previously accounted for using the equity method, was sold to third parties;
- **Milano-Brescia-Verona Scarl**, with registered offices in Italy, was incorporated and is accounted for using the equity method;
- **Saipem Perfurações e Construções Petrolíferas Lda**, previously consolidated using the full consolidation method, was merged by incorporation into Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda;
- **RPCO Enterprises Ltd**, consolidated using the proportionate method, was placed into liquidation;
- **Saipem Triune Engineering Private Ltd**, previously accounted for using the equity method, was sold to third parties;
- **Saipem Kharafi National MMO Fz Co** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Caspian Barge Builders PTE Ltd**, consolidated using the equity method, was placed into liquidation;
- **Saipem (Portugal) Gestão de Participações SGPS Sociedade Unipessoal SA**, previously consolidated using the full consolidation method, was merged by incorporation into Saipem International BV;
- Saipem do Brasil Serviçõs de Petroleo Ltda acquired 100% of **Terminal Portuàrio do Guarujá SA**, with registered offices in Brazil, which is fully consolidated;
- Saipem SpA acquired 100% of **Saipem Offshore Norway AS**, with registered offices in Norway, which is fully consolidated;
- **Nigerian Services & Supply Co Ltd**, consolidated using the equity method, was placed into liquidation;
- **Saipem Engineering Nigeria Ltd**, consolidated using the equity method, was placed into liquidation;
- **Saipem Logistics Services Ltd**, consolidated using the equity method, was placed into liquidation;
- **Shipping and Maritime Services Ltd**, consolidated using the equity method, was placed into liquidation;
- **BOS-UIE Ltd**, consolidated using the full consolidation method, was placed into liquidation;
- **Bos Investment Ltd**, consolidated using the full consolidation method, was placed into liquidation;
- **TSLNG Snc** (in liquidation), previously consolidated using the proportionate method, was placed into liquidation and subsequently removed from the Register of Companies.

Changes of company names or transfers of holdings between Group companies not affecting the scope of consolidation:
- Saipem International BV acquired a 100% interest in **Saipem do Brasil Serviçõs de Petroleo Ltda** from Saipem Energy Services SpA;
- Katran-K Llc changed its name to **Sairus Llc**;
- SAS Port de Tanger Société par Actions Simplifiée Unipersonelle changed its name to **Medsai SAS**;
- as result of the merger of Saipem (Portugal) Gestão de Participações SGPS Sociedade Unipessoal SA, **Saipem International BV** purchased the following participating interests:
  - i. 100% of Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda and of Varisal - Serviços de Consultadoria e Marketing, Unipessoal, Lda;
  - ii. 80% of Star Gulf Free Zone Co;
  - iii. 60% of Sagio - Companhia Angolana de Gestão de Instalaçao Offshore Lda;
  - iv. 50% of the following companies:
    - Charville - Consultores e Serviços, Lda;
    - FPSO Mystras - Produção de Petròleo, Lda;
    - Mangrove Gas Netherlands BV;
    - Southern Gas Constructors Ltd.

Changes in functional currencies

Sigurd Rück AG changed its functional currency from the Swiss Franc to the euro, beginning January 1, 2011.

Saimexicana SA de CV changed its functional currency from the Mexican Peso to the US Dollar, beginning January 1, 2011.

Saigut SA de CV changed its functional currency from the Mexican Peso to the US Dollar, beginning January 1, 2011.

Saipem Services México SA de CV changed its functional currency from the Mexican Peso to the US Dollar, beginning January 1, 2011.

Current assets

1 Cash and cash equivalents

Cash and cash equivalents amounted to €1,029 million, an increase of €99 million compared with December 31, 2010 (€930 million).
Cash and equivalents at year-end, 33% of which are denominated in euro, 30% in US dollars and 37% in other currencies, received an average interest rate of 0.718%. €572 million thereof (€509 million at December 31, 2010) are on deposit at Eni Group financial companies. Cash and cash equivalents included cash and cash on hand of €7 million, which is in line with the previous year.
Funds in three current accounts held by the subsidiary Saipem Contracting Algérie SpA (equivalent to €31.4 million at December 31, 2011) have been temporarily frozen since February 2010 in connection with an investigation being conducted into third parties.
The breakdown of cash and cash equivalents of Saipem and other Group companies at December 31, 2011 and December 31, 2010 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Italy	96	72
Rest of Europe	575	620
CIS	27	37
Middle East	40	61
Far East	15	28
North Africa	15	11
West Africa and rest of Africa	130	143
Americas	32	57
Total	**930**	**1,029**

2 Trade and other receivables

Trade and other receivables of €3,504 million (€4,330 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Trade receivables	3,550	2,822
Financing receivables for operating purposes	49	3
Financing receivables for non-operating purposes	20	75
Prepayments for services	533	405
Other receivables	178	199
Total	**4,330**	**3,504**

Receivables are stated net of the provision for impairment losses of €105 million:

(€ million)	Dec. 31, 2010	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2011
Trade receivables	103	10	(13)	-	(6)	94
Other receivables	8	-	(3)	-	6	11
Total	**111**	**10**	**(16)**	**-**	**-**	**105**

Trade receivables amounted to €2,822 million, a decrease of €728 million compared to December 31, 2010.
At December 30, 2011, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including non-past due receivables, amounting to €189 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 €116 million (€90 million at December 31, 2010), of which €48 million were due within one year and €68 million due after one year.
Trade receivables neither past due nor impaired amounted to €2,213 million (€2,573 million at December 31, 2010). Receivables past due, but not impaired, amounted to €609 million (€976 million at December 31, 2010), of which €345 million from 1 to 90 days past due, €62 million from 3 to 6 months past due, €83 million from 6 to 12 months past due and €119 million more than one year past due. These receivables are primarily due from high credit quality counterparties.

Financing receivables for operating purposes of €3 million (€49 million at December 31, 2010) are mainly related to the receivable held by Saipem SpA from Serfactoring SpA.
Financing receivables for non-operating purposes of €75 million (€20 million at December 31, 2010) are related to the receivable of €51 million held by Saipem America Inc from Eni Finance USA Inc for a financial loan and the deposit of €24 million paid by Snamprogetti Netherlands BV in relation to the TSKJ matter.
Receivables from jointly controlled companies, with regard to the non-consolidated portion, were mainly trade receivables and were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
02 Pearl snc	3	3
Charville - Consultores e Serviços, Lda	1	-
Petromar Lda	-	22
Société pour la Réalisation du Port de Tanger Méditerranée	4	3
Saipon snc	1	9
Southern Gas Constructor Ltd	5	3
TMBYS sas	1	7
Total	**15**	**47**

Other receivables of €199 million consisted of the following:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Receivables from:		
- insurance companies	10	56
- employees	27	28
- national insurance/social security contributions	1	1
- bank accounts due within/after one year	5	8
- foreign tax authorities other than tax credits	2	3
- consultants and professionals	1	-
- receivables from agents and representatives	3	-
Guarantee deposits	10	10
Other	119	93
Total	**178**	**199**

Other receivables neither past due nor impaired amounted to €156 million (€120 million at December 31, 2010). Other receivables past due, but not impaired, amounted to €43 million (€58 million at December 31, 2010), of which €7 million from 1 to 90 days past due, €11 million from 6 to 12 months past due and €25 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 €880 million 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 €1,822 million (€1,704 million at December 31, 2010) and their breakdown by currency was as follows:
- US Dollar 75% (68% at December 31, 2010);
- Saudi Arabian Ryal 6% (7% at December 31, 2010);
- Algerian Dinar 7% (7% at December 31, 2010);
- other currencies 12% (18% at December 31, 2010).

3 Inventories

Inventories of €1,353 million (€791 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Raw and auxiliary materials and consumables	396	471
Work in progress	395	882
Total	**791**	**1,353**

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

(€ million)	Dec. 31, 2010	Additions	Deductions	Other changes	Dec. 31, 2011
Inventories valuation allowance	9	6	(6)	-	9
Total	**9**	**6**	**(6)**	**-**	**9**

4 Current tax assets

Current tax assets of €78 million (€72 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Italian tax authorities	12	6
Foreign tax authorities	60	72
Total	**72**	**78**

The increase in current tax assets of €6 million was related to an increase in the amounts due from foreign tax authorities, partly offset by the decrease in receivables due from the Italian tax authorities.

5 Other current tax assets

Other current tax assets of €256 million (€218 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Italian tax authorities:	44	40
- VAT credits	42	38
- other	2	2
Foreign tax authorities:	174	216
- indirect tax credits	87	115
- other	87	101
Total	**218**	**256**

The increase in other current tax assets of €38 million was mainly related to an increase in the amount of indirect tax credits due from foreign tax authorities.

6 Other current assets

Other current assets of €498 million (€275 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Fair value of non-hedging derivatives	29	50
Fair value of hedging derivatives	126	176
Other assets	120	272
Total	**275**	**498**

At December 31, 2011, derivative instruments had a positive fair value of €226 million (€155 million at December 31, 2010).
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, 2011, 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 fair value of derivative contracts by type is provided in the following table:

	Assets Dec. 31, 2010			Assets Dec. 31, 2011		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- interest rate derivatives						
- forward currency contracts (Spot component)						
. purchase	16			168		
. sale	118			10		
Total	134			178		
- forward currency contracts (Forward component)						
. purchase	-			(3)		
. sale	(9)			-		
Total	(9)	673	4,204	(3)	2,607	119
- forward commodity contracts (Forward component)						
. purchase	1	-		1	5	
Total	1	7	-	1	5	-
Total derivative contracts qualified for hedge accounting	**126**	**680**	**4,204**	**176**	**2,612**	**119**
2) Derivative contracts not qualified for hedge accounting:						
- interest rate derivatives						
- forward currency contracts (Spot component)						
. purchase	4			49		
. sale	26			-		
Total	30			49		
- forward currency contracts (Forward component)						
. purchase	-			1		
. sale	(1)			-		
Total	(1)	246	1,505	1	1,590	28
- forward commodity contracts (Forward component)						
. sale	-		-	-		1
Total	-	-	-	-	-	1
Total derivative contracts not qualified for hedge accounting	**29**	**246**	**1,505**	**50**	**1,590**	**29**
Total	**155**	**926**	**5,709**	**226**	**4,202**	**148**

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, 2011 are expected to occur up until 2012.
During 2011, there were no cases of hedged items being no longer considered highly probable.
The fair value of derivative assets qualified for hedge accounting at December 31, 2011 was €176 million (€126 million at December 31, 2010). The effective portion (spot component) of fair value movements in these derivatives (€178 million) was deferred in a hedging reserve in equity (€155 million) and recorded as finance income and expense (€23 million), while the forward component, amounting to €3 million, was recognized as finance expense.
The fair value of derivative liabilities qualified for hedge accounting at December 31, 2011 amounted to €380 million (€95 million at December 31, 2010) and is indicated in Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities'. The spot component of fair value movements in these derivatives (€388 million) was deferred in a hedging reserve in equity (€360 million) and recorded as finance income and expense (€28 million), while the forward component, amounting to €8 million, was recognized as finance income.
During the year, operating revenues and expenses were adjusted by a net positive amount of €56 million to reflect the effects of hedging.
Other assets at December 31, 2011 amounted to €272 million, representing an increase of €152 million on the previous year and consisted of: prepayments of €224 million (€80 million at December 31, 2010), insurance premiums of €19 million (€18 million at December 31, 2010), costs for office leases of €7 million (€4 million at December 31, 2010) and other assets of €22 million (€18 million at December 31, 2010).
Receivables from related parties are shown in Note 44 'Transactions with related parties'.

Non-current assets

7 Property, plant and equipment

Property, plant and equipment of €8,024 million (€7,403 million at December 31, 2010) was as follows:

(€ million)	Opening net value	Capital expenditure	Depreciation and impairment	Disposals	Change in the scope of consolidation	Currency translation differences	Other changes	Final net value	Final gross value	Provision for depreciation and write-down
Dec. 31, 2010										
Land	14	-	-	-	-	1	-	15	15	-
Buildings	238	8	(23)	-	-	13	10	246	358	112
Plant and machinery	2,578	217	(366)	(4)	-	10	916	3,351	6,001	2,650
Industrial and commercial equipment	518	38	(91)	(4)	-	7	245	713	1,143	430
Other assets	206	29	(28)	(1)	-	15	2	223	337	114
Assets under construction and advances	2,741	1,241	-	-	-	44	(1,171)	2,855	2,855	-
Total	**6,295**	**1,533**	**(508)**	**(9)**	**-**	**90**	**2**	**7,403**	**10,709**	**3,306**
Dec. 31, 2011										
Land	15	1	-	-	93	(8)	9	110	110	-
Buildings	246	222	(60)	(1)	(10)	22	123	542	727	185
Plant and machinery	3,351	425	(463)	(4)	(4)	33	1,228	4,566	7,742	3,176
Industrial and commercial equipment	713	114	(70)	(2)	-	16	(581)	190	601	411
Other assets	223	13	(6)	-	-	(7)	(184)	39	134	95
Assets under construction and advances	2,855	325	(32)	-	(14)	37	(594)	2,577	2,609	32
Total	**7,403**	**1,100**	**(631)**	**(7)**	**65**	**93**	**1**	**8,024**	**11,923**	**3,899**

Capital expenditure during the year amounted to €1,193 million (€1,533 million at December 31, 2010) and related to the following sectors: Offshore E&C (€506 million), Offshore Drilling (€508 million), Onshore Drilling (€122 million) and Onshore E&C (€57 million).
Capital expenditure during the year included €93 million for the land shown under 'Change in the scope of consolidation', related to the acquisition of the company Terminal Portuàrio do Guarujá SA.
The main items of capital expenditure during the year included:

- in the Offshore E&C sector, the completion of the new deepwater field development ship and an FPSO vessel, the construction and preparation of a pipelayer and of a new fabrication yard in Indonesia, the purchase of a perpetual concession of an area in Brazil for the construction of a fabrication yard for subsea structures, as well as maintenance and upgrading of the existing asset base;
- in the Onshore Engineering & Construction sector, the purchase of equipment and facilities for a base in Iraq as well as for maintenance of the existing asset base;
- in the Offshore Drilling sector, the completion and preparation of deepwater semi-submersible rigs Scarabeo 9 and Scarabeo 8, in addition to the maintenance and upgrading of the existing asset base;
- in the Onshore Drilling sector, the purchase of two new rigs due to operate in Saudi Arabia and South America, in addition to the upgrading of the existing asset base.

Impairments of €34 million mainly related to equipment on the Scarabeo 8.
Finance expenses capitalized during the period, calculated using an average interest rate of 2.52.%, amounted to €10 million (€50 million at December 31, 2010).
The main depreciation rates used were as follows:

(%)	
Property	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 a net gain of €93 million, mainly related to companies whose presentation 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, 2011, 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, 2011 amounted to €201 million (€444 million at December 31, 2010), as indicated in 'Summary of significant accounting policies - Risk management'.

Finance leases

Saipem currently has no finance leases.

8 Intangible assets

Intangible assets of €752 million (€760 million at December 31, 2010) were as follows:

(€ million)	Opening net value	Capital expenditure	Amortization and impairment	Other changes	Final net value	Final gross value	Provision for amortization and write-down
Dec. 31, 2010							
Intangible assets with finite useful lives							
Development costs	-	-	-	-	-	7	7
Industrial patents and intellectual property rights	2	1	(1)	-	2	5	3
Concessions, licenses and trademarks	18	7	(7)	-	18	127	109
Assets in progress and advances	3	3	(1)	(1)	4	4	-
Other intangible assets	-	1	-	2	3	4	1
Intangible assets with indefinite useful lives							
Goodwill	733	-	-	-	733	733	-
Total	**756**	**12**	**(9)**	**1**	**760**	**880**	**120**
Dec. 31, 2011							
Intangible assets with finite useful lives							
Development costs	-	-	-	-	-	7	7
Industrial patents and intellectual property rights	2	1	(1)	1	3	10	7
Concessions, licenses and trademarks	18	3	(10)	1	12	130	118
Assets in progress and advances	4	1	-	(1)	4	4	-
Other intangible assets	3	1	-	(1)	3	4	1
Intangible assets with indefinite useful lives							
Goodwill	733	-	-	(3)	730	730	-
Total	**760**	**6**	**(11)**	**(3)**	**752**	**885**	**133**

Concessions, licenses and trademarks, and industrial patents and intellectual property rights of €12 million and €3 million respectively consisted mainly of costs for the implementation of SAP applications and modules at the parent company (total of €20 million in 2010).
The main amortization rates used were as follows:

(%)	
Development costs	20.00 - 20.00
Industrial patent rights 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 €730 million related to the difference between the purchase price, inclusive of related costs, and the shareholders' equity of Saipem sa (€689 million), Sofresid sa (€21 million) and the Moss Maritime Group (€15 million) on the date that control was acquired.
For impairment purposes, goodwill has been allocated to the following cash-generating units:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Offshore E&C	415	415
Onshore E&C	318	315
Total	**733**	**730**

The changes in the Onshore E&C cash-generating concern the transfer of a business unit. 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 2012-2015 Strategic Plan, which was approved by top management in February 2012. The forecast cash flows based on the plan assumed that, following the major programme of investments nearing completion, the new assets would be used in large frontier projects and that the backlog of orders at December 31, 2011 would not be affected by cancellations or renegotiations.
Value in use was calculated by discounting expected future post-tax cash flows at a rate of 8.5% (down 0.5% on the previous year). The terminal value (i.e. for subsequent years beyond the plan horizon) was estimated using a perpetual growth rate of 2% applied to an average normalized terminal cash flow. Assumptions were based on past experience and took into account current interest rates, business specific risks and expected long-term growth for the sectors.
Post-tax cash flows and discounting rates were 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	315	730
Amount by which recoverable amount exceeds carrying amount	4,942	4,977	9,919

The key assumptions adopted for assessing the recoverable amount of the CGU exceeding its carrying amount referred to operating results (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 following changes in each of the assumptions, ceteris paribus, would cause the excess of the recoverable amount of the Offshore E&C cash generating unit over its carrying amount, including the allocated portion of goodwill, to be reduced to zero:
- decrease of 57% in the operating result;
- use of a discount rate of 17%;
- negative real growth rate.

Changes in each of the assumptions, ceteris paribus, that would cause the excess of the recoverable amount of the Onshore E&C 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.

9 Investments accounted for using the equity method

Investments accounted for using the equity method of €109 million (€115 million at December 31, 2010) were as follows:

(€ million)	Opening net value	Acquisitions and subscriptions	Sales 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, 2010											
Investments in subsidiaries	3	-	-	1	-	-	-	1	-	5	-
Investments in associates	115	4	(14)	15	(4)	(6)	-	-	-	110	-
Total	**118**	**4**	**(14)**	**16**	**(4)**	**(6)**	**-**	**1**	**-**	**115**	**-**
Dec. 31, 2011											
Investments in subsidiaries	5	-	(4)	-	-	-	(1)	-	-	-	-
Investments in associates	110	-	(1)	16	(1)	(10)	(3)	-	(2)	109	-
Total	**115**	**-**	**(5)**	**16**	**(1)**	**(10)**	**(4)**	**-**	**(2)**	**109**	**-**

Investments in subsidiaries and associates at December 31, 2011 are analyzed in the section ‘Scope of consolidation at December 31, 2011’.
Share of profit of investments accounted for using the equity method of €16 million related to profits recorded by LNG - Serviços e Gestão de Projectos Lda (€9 million), Saipem Taqa Al Rushaid Fabricators Co Ltd (€4 million) and Rosetti Marino SpA (€3 million). Expenses of €1 million related to losses for the year incurred by TSKJ Serviçoes de Engenharia Lda.
Deductions following the distribution of dividends of €10 million referred to LNG - Serviços e Gestão de Projectos Lda (€8 million), Rosetti Marino SpA (€1 million) and Tecnoprojecto Internacional Projectos e Realizações Industriais SA (€1 million).
The net carrying value of investments accounted for using the equity method related to the following companies:

(€ million)	Group interest (%)	Net value at Dec. 31, 2010	Net value at Dec. 31, 2011
Fertilizantes Nitrogenados de Oriente CEC	20.00	68	68
Rosetti Marino SpA	20.00	24	25
Other		18	16
Total associates		**110**	**109**

A provision for losses relating to investments accounted for using the equity method was recorded under the provisions for contingencies. At year-end, the provision amounted to €8 million (€12 million at December 31, 2010).
In October 2010, the Venezuelan company, Fertilizantes Nitrogenados de Oriente CEC, was the subject of an expropriation order. Venezuelan law provided a procedure for the definition of fair compensation through negotiation.

10 Other investments

The net value of other investments of €1 million (€2 million at December 31, 2010) related to Nagarjuna Fertilizer and Chemicals Ltd, in which the Group has a 0.93% interest.

Other information about investments

The following table summarizes 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, were as follows:

	Dec. 31, 2010		Dec. 31, 2011	
(€ million)	Subsidiaries	Associates	Subsidiaries	Associates
Total assets	11	336	3	478
Total liabilities	7	238	3	378
Net revenues	5	186	1	243
Operating profit	2	8	-	18
Net profit (loss) for the year	1	3	-	16

The total amount of assets and liabilities of subsidiaries is immaterial according to their effects of exclusion from the scope of consolidation.

11 Other financial assets

At December 31, 2011, other long-term financial assets amounted to €2 million (€3 million at December 31, 2010) and related to financing receivables held for non-operating purposes by Saipem sa and Sofresid sa.

12 Deferred tax assets

Deferred tax assets of €100 million (€90 million at December 31, 2010) were shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2010	Additions	Deductions	Currency translation differences and other changes	Dec. 31, 2011
Deferred tax assets	90	90	(69)	(11)	100
Total	**90**	**90**	**(69)**	**(11)**	**100**

'Currency translation differences and other changes', which amounted to negative €11 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €16 million); (ii) exchange rate gains (€1 million); (iii) the positive tax effects (€2 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iv) other changes (positive €2 million).

13 Other non-current assets

Other non-current assets of €146 million (€39 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Other receivables	5	15
Other	34	131
Total	**39**	**146**

The increase in other non-current assets was mainly related to prepayments.

Current liabilities

14 Short-term debt

Short-term debt of €956 million (€1,002 million at December 31, 2010) was as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Banks	83	93
Other financial institutions	919	863
Total	**1,002**	**956**

Short-term debt decreased by €46 million, mainly due to a restructuring of a part of debt long-term debt.
The current portion of long-term debt, amounting to €766 million (€327 million at December 31, 2010), 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, 2010			Dec. 31, 2011		
			Interest rate %			Interest rate %	
Issuing institution	Currency	Amount	from	to	Amount	from	to
CEPAV (Consorzio Eni per l'Alta Velocità) Due	Euro	43	-	-	-	-	-
Eni SpA	Euro	513	1.040	1.040	762	1.770	3.315
Serfactoring	Euro	-	-	-	17	-	-
Eni Finance International SA	Euro	280	0.920	1.484	12	1.264	2.264
Eni Finance International SA	US Dollar	37	0.591	1.461	35	0.625	1.915
Eni Finance International SA	Other	2	1.044	1.044	-	-	-
Third parties	Euro	50	1.790	1.790	21	2.020	2.020
Third parties	US Dollar	22	0.386	1.661	23	0.420	1.695
Third parties	Nigerian Naira	26	12.000	16.000	-	-	-
Third parties	Other	29	variable		86	variable	
Total		**1,002**			**956**		

At December 31, 2011, Saipem had unused lines of credit amounting to €1,706 million (€1,834 million at December 31, 2010). Commission fees on unused lines of credit were not significant.
At December 31, 2011, there was no unfulfilment of terms and conditions or violation of agreements in relation to financing contracts.

15 Trade and other payables

Trade and other payables of €5,341 million (€5,814 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Trade payables	2,698	2,954
Advances	2,761	1,996
Other advances	355	391
Total	**5,814**	**5,341**

Trade and other payables of €2,954 million increased by €256 million versus December 31, 2010.
Advances of €1,996 million (€2,761 million at December 31, 2010), consisted mainly of adjustments to revenues from long-term contracts in accordance with the accruals concept, made on the basis of the amounts contractually matured for €1,152 million (€1,611 million at December 31, 2010) and advances on contract work in progress received by Saipem SpA and foreign subsidiaries of €844 million (€1,150 million at December 31, 2010).
Trade payables to related parties amounted to €246 million and are shown in Note 44 'Transactions with related parties'.
Payables to jointly controlled companies, with regard to the non-consolidated portion, amounted to €3 million (€1 million at December 31, 2010) and related to Petromar Lda and e Bos Shelf Ltd.

Other payables of €391 million were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Payables to:		
- employees	142	146
- non-financial governmental entities	-	1
- national insurance/social security contributions	63	61
- insurance companies	5	5
- creditors relating to advances	9	15
- consultants and professionals	2	2
- shareholders	-	1
- Board Directors and Statutory Auditors	-	1
Other payables	134	159
Total	**355**	**391**

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.

16 Income taxes payable

Income tax payables of €244 million (€166 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Italian tax authorities	9	65
Foreign tax authorities	157	179
Total	**166**	**244**

The increase in income tax payables of €78 million was related mainly to amounts payable to Italian tax authorities by Saipem SpA.

17 Other current tax liabilities

Other current tax liabilities of €150 million (€107 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Italian tax authorities:	11	11
- other	11	11
Foreign tax authorities:	96	139
- indirect tax	40	91
- other	56	48
Total	**107**	**150**

The increase of €43 million in other current tax liabilities owed to foreign tax authorities was mainly related to the change recorded by Saipem SpA.

18 Other current liabilities

Other current liabilities of €506 million (€149 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Fair value of non-hedging derivatives	50	121
Fair value of hedging derivatives	82	380
Other liabilities	17	5
Total	**149**	**506**

At December 31, 2011, derivative instruments had a negative fair value of €501 million (€132 million at December 31, 2010).
The following table shows the positive and negative fair values of derivative instruments at December 31, 2011:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Positive fair value of derivative assets	155	226
Positive fair value of derivative liabilities	(145)	(501)
Total	**10**	**(275)**

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, 2011, with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the year-end exchange rate and the respective forward interest rate curves.
A liability of €4 million at December 31, 2010 relating to the fair value of an interest rate swap was reduced to zero during the year.
The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding at December 31, 2011, with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on EUR forward interest rates.

The fair value of derivative contracts by type is provided in the following table:

	Liabilities Dec. 31, 2010			Liabilities Dec. 31, 2011		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- interest rate derivatives						
. interest rate swaps	4	200		-	-	
- forward currency contracts (Spot component)						
. purchase	36			5		
. sale	37			382		
Total	73			387		
- forward currency contracts (Forward component)						
. purchase	(3)			1		
. sale	1			(14)		
Total	(2)	1,573	1,292	(13)	143	5,004
- forward commodity contracts (Forward component)						
. purchase	20	-		6	-	
Total	20	45	-	6	27	-
Total derivative contracts qualified for hedge accounting	**95**	**1,818**	**1,292**	**380**	**170**	**5,004**
2) Derivative contracts not qualified for hedge accounting:						
- interest rate derivatives						
. interest rate swaps	-			-		
- forward currency contracts (Spot component)						
. purchase	34			2		
. sale	10			115		
Total	44			117		
- forward currency contracts (Forward component)						
. purchase	(1)			1		
. sale	-			2		
Total	(1)	1,466	462	3	58	2,465
- forward commodity contracts (Forward component)						
. purchase	6			1		
. sale	1			-		
Total	7	13	-	1	6	1
Total derivative contracts not qualified for hedge accounting	**50**	**1,479**	**462**	**121**	**64**	**2,466**
Total	**145**	**3,297**	**1,754**	**501**	**234**	**7,470**

For a comprehensive analysis of the fair value of hedging derivatives, see Note 6 ‘Other current assets’.
Information on hedged risks and hedging policies is given in the Basis of Presentation section.
Other current liabilities amounted to €5 million (€17 million at December 31, 2010).
Other payables 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 €3,342 million (€3,214 million at December 31, 2010) and was as follows:

(€ million)	Dec. 31, 2010 Current portion of short-term debt	Dec. 31, 2010 Current portion of long-term debt	Dec. 31, 2010 Total	Dec. 31, 2011 Current portion of short-term debt	Dec. 31, 2011 Current portion of long-term debt	Dec. 31, 2011 Total
Banks	201	200	401	1	200	201
Other financial institutions	126	2,687	2,813	765	2,376	3,141
Total	**327**	**2,887**	**3,214**	**766**	**2,576**	**3,342**

Long-term debt is shown below by year of maturity:

(€ million)

Type	Maturity range	2013	2014	2015	2016	After	Total
Banks	2015	-	-	200	-	-	200
Other financial institutions	2012-2024	447	258	1,010	211	450	2,376
Total		**447**	**258**	**1,210**	**211**	**450**	**2,576**

Long-term debt amounted to €2,576 million, down €311 million versus December 31, 2010 (€2,887 million).
The following table breaks down long-term debt, inclusive of the current portion of long-term debt by issuing entity and currency and also shows maturities and average interest rates:

(€ million)

			Dec. 31, 2010			Dec. 31, 2011		
				Interest rate %			Interest rate %	
Issuing institution	Currency	Maturity	Amount	from	to	Amount	from	to
Eni SpA	Euro	2012-2017	653	1.790	4.950	653	2.020	4.950
Eni Finance International SA	Euro	2012-2024	1,078	1.224	5.970	983	1.334	5.970
Eni Finance International SA	US Dollar	2012-2016	1,076	0.761	5.100	1,505	0.795	5.100
Eni Finance International SA	Other currencies	-	6	0.811	0.811	-	-	-
Third parties	Euro	2012-2015	401	0.915	3.315	201	3.315	3.315
Total			**3,214**			**3,342**		

There was no debt secured by mortgages or liens on fixed assets of consolidated companies or by pledges on securities.
The fair value of long-term debt, including the current portion of long-term debt, amounted to €3,088 million (€2,934 million at December 31, 2010) and was calculated by discounting the expected future cash flows at the following rates:

(%)	2010	2011
Euro	1.00-3.53	1.31-2.61
US Dollar	0.26-2.51	0.29-1.13

The difference between the fair value of long-term debt and its nominal value was mainly due to the debt of €400 million maturing in 2017.

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

	Dec. 31, 2010			Dec. 31, 2011		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	930	-	930	1,029	-	1,029
B. Available-for-sale and held-to-maturity securities	-	-	-	-	-	-
C. Liquidity (A+B)	**930**	**-**	**930**	**1,029**	**-**	**1,029**
D. Financing receivables	**20**	**-**	**20**	**75**	**-**	**75**
E. Short-term bank debt	83	-	83	93	-	93
F. Long-term bank debt	201	200	401	1	200	201
G. Short-term related party debt	875	-	875	826	-	826
H. Long-term related party debt	126	2,687	2,813	765	2,376	3,141
I. Other short-term debt	44	-	44	37	-	37
L. Other long-term debt	-	-	-	-	-	-
M. Total borrowings (E+F+G+H+I+L)	**1,329**	**2,887**	**4,216**	**1,722**	**2,576**	**4,298**
N. Net financial position pursuant to Consob Communication No. DEM/6064293/2006 (M-C-D)	**379**	**2,887**	**3,266**	**618**	**2,576**	**3,194**
O. Non-current financing receivables	**-**	**3**	**3**	**-**	**2**	**2**
P. Net borrowings (N-O)	**379**	**2,884**	**3,263**	**618**	**2,574**	**3,192**

Net borrowings include a liability relating to the interest rate swap but do not include the fair value of derivatives indicated in Note 6 'Other current assets', and in Notes 18 and 23 'Other current liabilities' and 'Other non-current liabilities' .

20 Provisions for contingencies

Provisions for contingencies of €209 million (€164 million at December 31, 2010) were as follows:

(€ million)	Opening balance	Additions	Deductions	Other changes	Closing balance
Dec. 31, 2010					
Provisions for taxes	66	22	(16)	(17)	55
Provisions for contractual penalties and disputes	29	5	(9)	-	25
Provisions for losses of investments	2	12	(1)	(1)	12
Other	103	35	(64)	(2)	72
Total	**200**	**74**	**(90)**	**(20)**	**164**
Dec. 31, 2011					
Provisions for taxes	55	18	(10)	1	64
Provisions for contractual penalties and disputes	25	15	(13)	2	29
Provisions for losses of investments	12	-	(1)	(3)	8
Other	72	70	(32)	(2)	108
Total	**164**	**103**	**(56)**	**(2)**	**209**

The **provisions for taxes**, amounting to €64 million, related entirely to disputes with foreign tax authorities that are either ongoing or potential based on the results of recent assessments.
The **provisions for contractual penalties and disputes** amounted to €29 million and consisted of accruals made by Saipem SpA and a number of foreign subsidiaries. This represents the best estimate of the amount that may be required to settle current disputes.
The **provisions for losses on investments** amounted to €8 million and represent losses incurred in excess of the carrying value of investments. The provision related mainly to amounts set aside in connection with investments held by Saipem sa.
Other provisions stood at €108 million and principally consisted of an estimate of expected losses on long-term contracts in the Offshore and Onshore Engineering & Construction sectors.
With respect to the foregoing liabilities, Saipem does not reasonably expect any material additional losses beyond those amounts accrued above.

21 Provisions for employee benefits

Provisions for employee benefits of the Saipem Group include indemnities upon termination of employment, pension plans with benefits based primarily on the employee's annual compensation in the year preceding retirement and other long-term benefits. Provisions for indemnities upon termination of employment primarily relate to the provisions accrued by Italian companies for employee termination indemnities ('TFR'), determined using actuarial techniques and regulated by Article 2120 of the Italian Civil Code. The indemnity is paid upon retirement as a lump sum payment and is determined by the total of the accruals during the employees' service period based on payroll costs as revalued until retirement.
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 the options either to assign amounts already accrued and future benefits 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 meant that these amounts would be classified as costs to provide benefits under a defined contribution plan. Past amounts accrued for post-retirement indemnities under the Italian TFR regime continue to represent costs to provide benefits under a defined benefit plan and must be assessed based on actuarial assumptions.
Following this change in regime, the existing provision for Italian employees was reassessed to take account of the curtailment due to reduced future obligations reflecting the exclusion of future salaries and relevant increases from actuarial calculations.
Pension funds concern:
- 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 compensation paid in the last year of service or an average annual compensation paid in a determined period preceding retirement.
Liabilities and costs related to supplementary medical reserve for Eni managers (FISDE) are calculated on the basis of the contributions paid by the company for retired managers. The deferred monetary incentive scheme comprises estimated variable remuneration related to company performance to be paid out to senior managers who achieve their individual targets. The long-term monetary scheme replaces the stock option plan. Monetary incentives may be paid out after a three-year vesting period depending on the achievement of performance targets. Jubilee awards are benefits due following the attainment of a minimum period of service and, with regard to the Italian companies, they consist of remuneration in kind.
Provisions for employee benefits of €200 million (€193 million at December 31, 2010) consisted of the following:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Employee termination indemnities (TFR)	57	55
Foreign pension plans	79	92
Supplementary medical reserve for Eni managers (FISDE)	14	14
Deferred monetary incentive scheme	33	29
Jubilee awards	10	10
Total	**193**	**200**

The present value of long-term employee benefits was as follows:

(€ million)	TFR	Foreign pension plans Gross liability	Foreign pension plans Plan assets	Foreign pension plans Net liability	Other long-term benefits	Total
Dec. 31, 2010						
Present value of benefit obligation at beginning of year	**62**	**124**	**48**	**76**	**55**	**193**
Current cost	-	14	-	14	13	27
Financial expenses	3	6	-	6	2	11
Return on plan assets	-	-	3	(3)	-	(3)
Contributions paid	-	-	2	(2)	-	(2)
Actuarial gains (losses)	1	8	-	8	1	10
Benefits paid	(7)	(9)	-	(9)	(11)	(27)
Amendments, curtailments and settlements	-	7	-	7	-	7
Currency translation differences and other changes	(2)	7	5	2	-	-
Present value of benefit obligation at end of year	**57**	**157**	**58**	**99**	**60**	**216**
Dec. 31, 2011						
Present value of benefit obligation at beginning of year	**57**	**157**	**58**	**99**	**60**	**216**
Current cost	-	19	-	19	11	30
Financial expenses	2	6	-	6	2	10
Return on plan assets	-	-	3	(3)	-	(3)
Contributions paid	-	-	4	(4)	-	(4)
Actuarial gains (losses)	(2)	(1)	1	(2)	-	(4)
Benefits paid	(4)	(7)	(3)	(4)	(17)	(25)
Amendments, curtailments and settlements	-	-	-	-	-	-
Currency translation differences and other changes	(1)	8	3	5	(1)	3
Present value of benefit obligation at end of year	**52**	**182**	**66**	**116**	**55**	**223**

The present value of the obligation for other long-term benefits of €55 million (€60 million at December 31, 2010) related to FISDE (€16 million; €17 million at December 31, 2010), jubilee awards (€10 million; €10 million at December 31, 2010) and the deferred monetary incentive scheme, including the long-term monetary scheme (€29 million; €33 million at December 31, 2010).

The current cost and benefits paid related to Employee Termination Indemnities at December 31, 2011 were adjusted to reflect the effect of the conversion of the plan from a defined benefit plan to a defined contribution plan.

The reconciliation analysis of benefit obligations and plan assets was as follows:

(€ million)	TFR Dec. 31, 2010	TFR Dec. 31, 2011	Foreign pension plans Dec. 31, 2010	Foreign pension plans Dec. 31, 2011	Other long-term benefits Dec. 31, 2010	Other long-term benefits Dec. 31, 2011
Present value of funded benefit obligations	-	-	82	86	-	-
Present value of plan assets	-	-	58	66	-	-
Net present value of funded benefit obligations	**-**	**-**	**24**	**20**	**-**	**-**
Present value of unfunded benefit obligations	**57**	**52**	**75**	**96**	**60**	**55**
Unrecognized actuarial gains (losses)	-	3	(20)	(24)	(2)	(2)
Unrecognized past service cost	-	-	-	-	(1)	-
Amount not recognized as plan assets	-	-	-	-	-	-
Net liability recognized in provision for employee benefits	**57**	**55**	**79**	**92**	**57**	**53**

Costs for long-term employee benefits recorded in the income statement were as follows:

(€ million)	TFR	Foreign pension plans	Other long-term benefits	Total
2010				
Current cost	-	14	13	27
Financial expenses	3	6	2	11
Expected return on plan assets	-	(3)	-	(3)
Amortization of actuarial gains (losses)	-	-	1	1
Amortization of past service cost	-	1	-	1
Effect of curtailments and settlements	-	8	-	8
Total costs	**3**	**26**	**16**	**45**
2011				
Current cost	-	19	11	30
Financial expenses	2	6	2	10
Expected return on plan assets	-	(3)	-	(3)
Amortization of actuarial gains (losses)	-	1	-	1
Amortization of past service cost	-	(1)	-	(1)
Effect of curtailments and settlements	-	-	-	-
Total costs	**2**	**22**	**13**	**37**

Costs for other long-term benefits of €13 million (€16 million at December 31, 2010) mainly related to the deferred monetary incentive scheme.
The main actuarial assumptions used in the evaluation of post retirement benefit obligations at year-end and the estimate of costs expected for 2012 were as follows:

(%)	TFR	Funded pension plans	Other long-term benefits
2010			
Main actuarial assumptions:			
- discount rates	5	4.25-10.0	5
- rate of compensation increase	3	2.0-14.0	-
- expected rate of return on plan assets	-	5.6-9.0	-
- rate of inflation	2	2.0-8.0	2
2011			
Main actuarial assumptions:			
- discount rates	4.8	2.6-12.0	3.6-4.8
- rate of compensation increase	0-3.0	2.0-12.0	-
- expected rate of return on plan assets	-	5.0-9.3	-
- rate of inflation	2	1.7-11.0	2

The expected rate of return on plan assets was determined with reference to prices quoted on regulated markets. With regards to Italian plans, demographic tables prepared by Ragioneria Generale dello Stato (RG48) were used, as was table IPS55 (for the FISDE plan alone).

Plan assets consisted of the following:

(%)	Plan assets	Expected return
December 31, 2011		
Shares	4.16	8.60
Bonds	57.70	4.26
Real estate	7.21	9.60
Other	30.94	4.15

The actual return on plan assets was a gain of €3 million (€4 million at December 31, 2010).
With reference to healthcare plans, the effects deriving from a 1% change in the actuarial assumptions of medical costs were as follows:

(€ million)	1% Increase	1% Decrease
Impact on current costs and interest costs	0.2	(0.2)
Impact on net benefit obligation	2.3	(1.9)

The amount expected to be accrued to defined benefit plans for 2012 amounted to €7 million.
The analysis of changes in the actuarial valuation of the net liability with respect to the previous year, resulting from differences between actuarial assumptions and actual figures recorded at year-end was as follows:

(€ million)	TFR	Foreign pension plans	Supplementary medical reserve (FISDE)	Other
2010				
Impact on net benefit obligation	-	-	1	-
Impact on plan assets	-	(1)	-	-
2011				
Impact on net benefit obligation	-	(3)	1	(1)
Impact on plan assets	-	-	-	-

22 Deferred tax liabilities

Deferred tax liabilities of €79 million (€55 million at December 31, 2010) are shown net of offsettable deferred tax assets of €128 million.

(€ million)	Dec. 31, 2010	Additions	Deductions	Currency translation differences and other changes	Dec. 31, 2011
Deferred tax liabilities	55	72	(30)	(18)	79
Total	**55**	**72**	**(30)**	**(18)**	**79**

'Currency translation differences and other changes', which amounted to negative €18 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €16 million); (ii) exchange rate gains (€1 million); (iii) the negative tax effects (€4 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iv) other positive changes (€1 million).

Deferred tax assets and liabilities consisted of the following:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Deferred tax liabilities	(166)	(207)
Deferred tax assets available for offset	111	128
	(55)	**(79)**
Deferred tax assets not available for offset	90	100
Net deferred tax assets	**35**	**21**

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

(€ million)	Dec. 31, 2010	Additions	Deductions	Currency translation differences and other changes	Dec. 31, 2011
Deferred tax liabilities:					
- accelerated tax depreciation	(9)	(4)	-	-	(13)
- non distributed reserves held by investments	(69)	(17)	-	-	(86)
- other	(88)	(51)	30	1	(108)
	(166)	**(72)**	**30**	**1**	**(207)**
Deferred tax assets:					
- accruals for impairment losses and provisions for contingencies	58	14	(10)	(3)	59
- carry-forward tax losses	101	3	(9)	(1)	94
- other	130	65	(55)	8	148
	289	**82**	**(74)**	**4**	**301**
less:					
- unrecognized deferred tax assets	(88)	8	4	3	(73)
	201	**90**	**(70)**	**7**	**228**
Net deferred tax assets (liabilities)	**35**	**18**	**(40)**	**8**	**21**

Unrecognized deferred tax assets of €73 million (€88 million at December 31, 2010) related to tax losses that it will probably not be possible to utilize against future income.

Tax losses

Tax losses amounted to €339 million (€356 million at December 31, 2010) of which a considerable part can be carried forward without limit. The tax rate applied to determine the portion of carried-forward tax losses to be utilized averaged out at 27.9%. Tax losses related entirely to foreign companies and can be used in the following periods:

(€ million)	Italian subsidiaries	Foreign subsidiaries
2012	-	-
2013	-	65
2014	-	6
2015	-	5
2016	-	18
After 2016	-	42
Without limit	-	203
Total	**-**	**339**

23 Other non-current liabilities

Other non-current liabilities of €2 million (€10 million at December 31, 2010) were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Fair value of hedging derivatives	9	-
Trade and other payables	1	2
Total	**10**	**2**

Shareholders' equity

24 Minority interest

Minority interest at December 31, 2011 amounted to €114 million (€94 million at December 31, 2010) and mainly related to Ersai Caspian Contractor Llc (€111 million).

25 Saipem's shareholders' equity

Saipem's shareholders' equity at December 31, 2011, amounting to €4,709 million, can be analyzed as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Share capital	441	441
Share premium reserve	55	55
Legal reserve	88	88
Cash flow hedge reserve	3	(60)
Cumulative currency translation differences	(52)	(12)
Other	7	7
Retained earnings	2,758	3,342
Net profit for the year	844	921
Treasury shares	(84)	(73)
Total	**4,060**	**4,709**

Saipem's shareholders' equity at December 31, 2011 included distributable reserves of €3,817 million (€3,658 million at December 31, 2010), 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 (€86 million at December 31, 2011).

26 Share capital

At December 31, 2011, 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 441,275,452 are ordinary shares and 135,448 savings shares.
On May 4, 2011, Saipem's Shareholders' Meeting approved a dividend distribution of €0.63 per ordinary share and €0.66 per savings share, with the exclusion of treasury shares.

27 Share premium reserve

The share premium reserve amounted to €55 million at year-end 2011 and was unchanged from December 31, 2010.

28 Other reserves

At December 31, 2011, 'Other reserves' amounted to €23 million (€46 million at December 31, 2010) and consisted of the following items.

Legal reserve

At December 31, 2011, the legal reserve stood at €88 million. This represents the portion of profits, accrued as per Article 2430 of the Italian Civil Code, that cannot be distributed as dividends. The reserve remained unchanged, having reached a fifth of share capital.

Cash flow hedge reserve

This reserve showed a negative balance at year-end of €60 million (positive balance of €3 million at December 31, 2010) related to the fair value of the spot component of foreign currency hedging contracts and commodity hedges at December 31, 2011.
The cash flow hedge reserve is shown net of tax of €7 million (€1 million at December 31, 2010).

Cumulative currency translation differences

This reserve amounted to a negative €12 million (negative €52 million at December 31, 2010) and related to exchange rate differences arising from the translation into euro of financial statements currencies other than the euro.

Other

Other reserves amounted to €7 million and were unchanged from December 31, 2010. They related to the allocation of part of 2009 net profit, pursuant to Article 2426, 8-*bis* of the Italian Civil Code. This caption also comprises the re-valuation reserve set up by Saipem SpA in previous years, amounting to €2 million.

29 Treasury shares

Saipem SpA holds 3,143,472 treasury shares (3,710,372 at December 31, 2010), amounting to €73 million (€84 million at December 31, 2010). These are ordinary shares of Saipem SpA with a nominal value of €1 each.
Treasury shares related to 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	7,058,072			
Treasury shares held at December 31, 2011	**3,143,472**	**23.163**	**73**	**0.72**

At December 31, 2011, outstanding stock options amounted to 1,637,750 shares.
Further information on stock option schemes 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, 2010		Dec. 31, 2011	
(€ million)	Net profit	Shareholder's equity	Net profit	Shareholder's equity
As reported in Saipem SpA's financial statements	**85**	**1,075**	**520**	**1,314**
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 financial statements	862	2,672	340	2,976
Consolidation adjustments, net of effects of taxation:				
- difference between cost and underlying book value of equity	(1)	825	(1)	826
- elimination of unrealized intercompany profits	21	(291)	(53)	(350)
- other adjustments	(73)	(127)	181	57
Total shareholders' equity	**894**	**4,154**	**987**	**4,823**
Minority interests	(50)	(94)	(66)	(114)
As reported in the consolidated financial statements	**844**	**4,060**	**921**	**4,709**

30 Additional information

Supplement to cash flow statement

(€ million)	Dec. 31, 2011
Analysis of investments in consolidated subsidiaries and businesses	
Current assets	-
Non-current assets	97
Current and non-current liabilities	(4)
Net effect of investments	**93**
Minority interest	-
Fair value of interest held before acquisition of control	-
Total purchase price	93
less:	
Cash and cash equivalents	-
Cash flow from investments	**93**
Analysis of disposals of consolidated entities and businesses	
Current assets	4
Non-current assets	7
Net liquidity (net borrowings)	1
Current and non-current liabilities	(9)
Net effect of disposals	**3**
Fair value of interest after control has ceased	-
Gain on disposals	5
Minority interest	-
Total sale price	8
less:	
Cash and cash equivalents	(1)
Cash flows from disposals	**7**

31 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €7,175 million (€7,387 million at December 31, 2010):

	Dec. 31, 2010			Dec. 31, 2011		
(€ million)	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Associates	22	65	87	84	-	84
Consolidated companies	487	3,198	3,685	497	3,249	3,746
Own	21	3,594	3,615	21	3,324	3,345
Total	**530**	**6,857**	**7,387**	**602**	**6,573**	**7,175**

Other guarantees issued for associated and consolidated companies of €3,249 million (€3,263 million at December 31, 2010) mainly related to independent guarantees given to third parties relating to bid bonds and performance bonds of €3,247 million.

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 €29,577 million (€25,900 million at December 31, 2010), including work already performed and the backlog of orders at December 31, 2011.

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) recognized in the income statement	Income (expense) recognized in equity
Financial instruments held for trading			
Non-hedging derivatives [a]	(71)	(138)	-
Receivables and payables and other assets (liabilities) measured at amortized cost			
Trade and other receivables [b]	3,504	6	-
Financial receivables [a]	75	-	-
Trade and other payables	5,341	-	-
Financial payables [a]	4,298	(98)	-
Net hedging derivative assets (liabilities) [c]	(204)	67	69

(a) The income statement effects relate only to the income (expense) indicated in Note 38 'Finance income (expense)'.
(b) The income statement effects were recognized in 'Purchases, services and other' (expenses of €1 million relating to impairments and losses on receivables) and in 'Finance income (expense)' (€7 million, relating to currency translation gains (losses) arising from adjustments to the year-end exchange rate).
(c) The income statement effects were recognized in 'Net sales from operations' and 'Purchases, services and other' (€56 million) and in 'Finance income (expense)' (€11 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, 2011 were classified as follows:

	Dec. 31, 2011			
(€ million)	Level 1	Level 2	Level 3	Total
Held for trading financial assets (liabilities):				
- non-hedging derivatives	-	(71)	-	(71)
Financial assets measured at fair value under the fair value option:				
- investments	1	-	-	1
Net hedging derivative assets (liabilities)	-	(204)	-	(204)
Total	**1**	**(275)**	**-**	**(274)**

In the normal course of its business, Saipem uses various types of financial instrument. The information regarding their fair value is as follows.

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. This is instead represented by the positive net fair value of derivative contracts at year-end.

INTEREST RATE RISK MANAGEMENT

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

(€ million)	Notional amount at Dec. 31, 2010	Notional amount at Dec. 31, 2011
Interest rate swaps	200	-

In 2011 no new interest rate swap contracts 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, 2010	Notional amount at Dec. 31, 2011
Forward foreign exchange contracts	3,505	3,218

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, 2010		Notional amount at Dec. 31, 2011	
(€ million)	Purchase	Sell	Purchase	Sell
AUD	16	30	10	27
CNY	57	-	97	-
EUR	79	-	118	74
GBP	378	127	310	93
JPY	10	7	54	4
KWD	100	131	295	556
NOK	80	49	219	192
PLN	-	52	-	53
SGD	-	-	56	2
USD	3,238	7,067	3,239	6,615
Total	**3,958**	**7,463**	**4,398**	**7,616**

COMMODITY PRICE RISK

Saipem only enters into commodity contracts to manage its commodity price risk exposure.
The table below shows notional amounts for forward commodity contracts entered into.

	Notional amount at Dec. 31, 2010		Notional amount at Dec. 31, 2011	
(€ million)	Purchase	Sell	Purchase	Sell
Forward commodity contracts	65	-	38	2

Legal proceedings

Saipem is involved in civil and administrative proceedings and legal actions connected with the ordinary course of its business. Based on the information available to date, and taking into account the provisions made for contingencies, Saipem believes that the these will not have significant adverse effects on its consolidated financial statements.
A brief summary of the most important ongoing proceedings is now provided.

CEPAV Uno and CEPAV Due

Saipem has a 50.36% share in the CEPAV Uno Consortium and a 52% in the CEPAV Due Consortium. In 1991 both of these entered into two agreements with TAV SpA ('TAV' now Rete Ferroviaria Italiana SpA - 'RFI') for the construction of the Milan-Bologna (in completion) and Milan-Verona (in implementation) high-velocity/high-capacity railway lines respectively.

CEPAV Uno: in connection with the project for the construction of the Milan-Bologna high-speed/high-capacity railway line, on June 27, 2003 an addendum was made to the contract between the CEPAV Uno Consortium and the client TAV. This redefined several contract terms and conditions. Subsequently, the Consortium asked the client for an extension to the works completion schedule and a supplementary payment of approximately €800 million, later updated to €1,770 million. The Consortium and TAV sought to reach an amicable settlement, but negotiations were called off on March 14, 2006 when the proposals put forward by TAV were deemed unsatisfactory by the Consortium. On April 27, 2006 TAV was informed of the application for arbitration, as provided for under the contract terms and conditions. The evidence acquisition phase is currently underway. At the subsequent hearings, following the filing of the findings of the court-appointed expert on July 30, 2010, which were partially favourable for the Consortium, briefs and responses were filed with regard to the preliminary questions. At the hearing of May 20, 2011, the court-appointed expert filed clarifications in response to the comments made on the findings. The deadline for the Arbitration Panel to file the arbitration award was originally set for December 27, 2011 but was subsequently extended to December 31, 2013. The next hearing has been set for March 15, 2012, with interim dates of December 30, 2011 and February 15, 2012 for the parties to file their final briefs and to comment on the findings of the second court-appointed expert. On March 23, 2009, the Arbitration Panel, replying to a specific question submitted to it by one of the parties, issued an interim award which in substance allowed TAV 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. At the hearing held on September 22, 2010, the proceedings were postponed to October 9, 2013 when the specification of the final conclusions will take place.

CEPAV Due: in connection with the project for the construction of the Milan-Verona high-speed/high-capacity railway line, and pursuant to Italian Law No. 443/2001 (Target Law), in December 2004 the CEPAV Due Consortium delivered the definitive works project, which had been developed on the basis of the preliminary project approved by the CIPE (Inter-Ministerial Committee for Economic Planning). On December 28, 2000, the CEPAV Due Consortium filed a notice of arbitration against TAV to recover damages for delays for which TAV was deemed responsible. In January 2007, a partial arbitrator's award was issued recognizing the right of the Consortium to damages. The arbitration proceeding continued in order to establish the value of damages and the expert's report was filed on October 19, 2009. Final judgement was passed on February 23, 2010 and TAV was ordered to pay the CEPAV Due Consortium €44,176,787 plus legal interest and compensation for inflation accrued from the date of the notice of arbitration until the date of payment of damages. The court also ordered TAV to pay an additional €1,115,000 plus interest and compensation for inflation accrued from October 30, 2000 until the date of payment of damages. TAV appealed to the Court of Appeal in Rome against the partial award of January 2007. The hearing of the conclusions, which was originally scheduled for January 28, 2011, was postponed in view of the fact that negotiations for a settlement were due to take place between the parties.

In February 2007, the CEPAV Due Consortium notified TAV of a second request for arbitration following the entering into force of Decree Law No. 7 dated December 31, 2007 which, amongst other things, revoked the concession issued by Ferrovia dello Stato to TAV, for the construction of the Milan-Verona high-speed railway line. This revocation would have also affected the agreement that CEPAV Due signed with TAV in 1991. Article 12 of Decree Law No. 112 of June 25, 2008, converted into Law No. 133/2008, provided for the 'annulment of the revocation of the TAV concessions' and, therefore, for the continuation without interruption of the framework agreement signed by CEPAV Due with TAV in 1991 with RFI. The second arbitration proceeding however continued to determine the damages suffered by the Consortium before the revocation of the concessions. The proceedings had in fact been suspended in view of the fact that negotiations were underway for the signing of the Supplemental Contract to the Agreement and to reach a settlement in connection with both the concluded arbitration proceeding and the pending one. The deadline for the Arbitration Panel to file the arbitration award was set for December 31, 2010.

On March 7, 2011, RFI forwarded a proposal for settlement to the CEPAV Due Consortium with a view to closing all disputes concluded and pending between the parties and on March 15, 2011 the CEPAV Due Consortium agreed to this. The negotiations were concluded in August 2011 with the payment of amounts outstanding by RFI. Arbitration was therefore declared extinguished by means of a ruling of the Arbitration Panel on November 16, 2011 and, as regards the appeal against the partial arbitrator's award, at the hearing of January 20, 2012 the parties filed respective notices of discontinuance at the Rome Court of Appeal.

TSKJ Consortium - Investigations by the U.S., Italian and other overseas Authorities

Snamprogetti Netherlands BV has a 25% interest in the TSKJ Consortium companies. The remaining interests are held in equal shares of 25% by Halliburton/KBR, Technip and JGC. Beginning in 1994, the TSKJ Consortium constructed natural gas liquefaction facilities at Bonny Island, Nigeria.

Snamprogetti SpA, the holding company of Snamprogetti Netherlands BV, was a wholly owned subsidiary of Eni 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 to Saipem SpA, Eni SpA agreed to indemnify Saipem SpA for potential losses resulting from the investigations into the TSKJ matter, including in connection with its subsidiaries.
The US Securities and Exchange Commission (SEC), the US Department of Justice (DoJ) and other authorities, including the Public Prosecutor's office of Milan, investigated alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials.
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 onwards and also concerns the period subsequent to the introduction of Legislative Decree No. 231 of June 8, 2001 regarding the administrative responsibility of companies. Violations of the provisions of this legislative decree are punishable by fines and by the confiscation of any profits obtained as a result of such violations.
On July 31, 2009, a decree issued by the Judge for Preliminary Investigation at the Court of Milan was served on Saipem SpA (as legal entity incorporating Snamprogetti SpA). The decree set for September 22, 2009 a hearing in camera in relation to proceedings pursuant to Legislative Decree No. 231 of June 8, 2001, under which the Milan Public Prosecutor was investigating Saipem SpA and Eni SpA for liability of legal entities arising from offences involving international corruption alleged against two former managers of Snamprogetti SpA.
The Milan Public Prosecutor requested that Saipem SpA and Eni SpA be debarred from activities involving – directly or indirectly – any agreement with the Nigerian National Petroleum Corp and its subsidiaries.
The Milan Public Prosecutor's request for precautionary measures related to TSKJ Consortium practices between 1995 and 2004. In this regard, the Public Prosecutor claimed the inadequacy and violation of the Organizational, Management and Control Model adopted to prevent the commission of the alleged offences by persons subject to direction and supervision. In actual fact, at the time of the events under investigation, the Company had in place a code of practice and internal procedures based on best practices at that time. Subsequently, the code and internal procedures were improved with a view to achieving the continuous improvement of internal compliance, including with regard to Anti-Corruption. Furthermore, on July 14, 2008, Saipem approved a new Code of Ethics and a new Model 231, which reaffirmed that the belief that one is acting in favour or to the advantage of Saipem can never, in any way, justify – not even in part – any behaviours that conflict with the principles and contents of the Code. Furthemore, as mentioned above, in the light of the investigations into the TSKJ matter, Saipem made substantial enhancements to its existing compliance system. Specifically, on February 10, 2010 issued a procedure containing new anti-corruption guidelines and principles. The guidelines enhanced the company's anti-corruption system, which was already in line with international best practices and optimized the compliance system to ensure maximum observance by Saipem and its personnel of the Code of Ethics, Model 231 and national and international anti-corruption laws.
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 appealed against the decision of the Judge for Preliminary Investigation. 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 Public Prosecutor and upheld the decision of the Judge for the Preliminary Investigation. The Public Prosecutor of Milan filed an appeal against the decision and on September 30, 2010, this was upheld by the Court of Cassation. The latter in fact decided that the request for precautionary measures was also admissible pursuant to Law 231/2001 in cases of alleged international corruption. The decision relating to the Milan Public Prosecutor's request for precautionary measures returned to the judicial review court, which scheduled a hearing for February 22, 2011. On February 18, 2011, following payment by Snamprogetti Netherlands BV of a deposit of €24,530,580, which was also on behalf of Saipem SpA, the Milan Public Prosecutor's office withdrew its appeal against the decision with which the judge for the preliminary investigation had rejected the request for precautionary measures of disqualification, with regard to both Eni SpA and Saipem SpA. At the hearing of February 22, 2011, the judicial review court acknowledged the withdrawal and declared the Milan Public Prosecutor's office appeal inadmissible. The proceeding connected with the request for precautionary measures of disqualification for Saipem SpA and Eni SpA therefore concluded.
Following the receipt on November 3, 2010 of the notice of conclusion of investigations, on December 3, 2010, Saipem SpA's defence counsel received notice of the scheduling of a preliminary hearing, accompanied by a request for committal to trial. The document contains accusations against five former Snamprogetti SpA employees (now Saipem SpA) and against Saipem SpA as a legal person as the company that absorbed Snamprogetti. The accusations regard alleged acts of corruption in Nigeria committed up to 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 January 26, 2011, at the conclusion of the hearings, the Judge for the Preliminary Hearing ordered Saipem SpA (as a legal person in so far as it had absorbed Snamprogetti SpA) and the five former Snamprogetti SpA employees to stand trial at a hearing scheduled for April 5, 2011. A trial hearing was held on May 10, 2011.
During the hearing of February 2, the Public Prosecutor, while recognizing that the statute of limitations had already expired as regards the physical persons under investigation, raised an objection as regards the unconstitutional nature of Italian law in relation to the statute of limitations, arguing that it contrasted with international law, in particular the OECD convention on international bribery and corruption. At the following hearing of March 8, 2012, the defendants replied to the objection raised by the Public Prosecutor on the unconstitutional nature of the 'short statute of limitations' for crimes of international corruption. The next hearing is scheduled for April 5, 2012, when a decision on this objection is expected to be made.
In the event of an acquittal, the above-mentioned deposit of €24,530,580 will be refunded to Snamprogetti Netherlands BV. The deposit will be confiscated by the authorities in the event of conviction. In connection with the sale of Snamprogetti to Saipem, Eni agreed to indemnify Saipem for a variety of matters, including potential losses resulting from the investigations into the TSKJ matter.

Algeria

On February 4, 2011, the Milan Public Prosecutor's office, through Eni SpA, requested the transmission of documentation pursuant to Article 248 of the 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' mentioned in the request is sanctioned by Legislative Decree No. 231 of June 8, 2001. In compliance with the request, the collection of documentation was commenced promptly and on February 16, 2011, the documents collected up until that point were transmitted, with Saipem reserving the right to deposit further documentation when available. For its part, Saipem, while ready to collaborate fully with the judicial authorities, has received no request to this end.

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 231/2001. In this regard, the Company believes that its position will be cleared, since it is the injured party in respect of the illicit conduct under investigation.
Having consulted its lawyers, and in agreement with the Board of Statutory Auditors and the Internal Control Bodies, Saipem, through its Internal Audit function, and also using an external consulting company, quickly undertook an internal audit of the project under investigation.
As a precautionary measure, and in compliance with the contract currently in force, Saipem suspended the employee under investigation while awaiting further developments. The audit showed that the employee in question was not involved in anything worthy of note, certainly not anything of a criminal nature. The suspension was therefore lifted and the employee has been assigned to other duties.
The Public Prosecutor has 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.

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 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 SpA 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 plea agreements. Following the conclusion of the preliminary hearing, criminal proceedings continued against former employees of the above companies as well as against employees and managers of a number of their suppliers, pursuant to Legislative Decree No. 231/2001. Eni SpA, EniPower SpA and Snamprogetti SpA presented themselves as plaintiffs in the preliminary hearing. In the preliminary hearing related to the main proceeding of April 27, 2009, the judge for the preliminary hearing requested that all parties that did not request the application of plea agreements stand trial, with the exception of several parties for whom the statute of limitations now applied.
In the hearing of March 2, 2010, the Court confirmed the admission as plaintiffs of Eni SpA, EniPower SpA and Saipem SpA against the defendants under the provisions of Legislative Decree No. 231/2001. The defendants of the other companies involved were also sued. The examination of the witnesses was completed and the parties presented their conclusions. Subsequently, at the hearing of September 20, 2011 judgement 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 huge sums being 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 Court Registry.

Fos Cavaou

With reference to the Fos Cavaou ('FOS') project for the construction of the regasification terminal, arbitration proceedings are pending at the International Chamber of Commerce (ICC) in Paris between the client Société du Terminal Methanier de Fos Cavaou ('STMFC') and the contractor STS (a French 'société en partecipation' made up of Saipem sa (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)).
On July 11, 2011 the parties signed a mediation memorandum pursuant to the rules of Conciliation and Arbitration of the Paris ICC. The mediation procedure ended on December 31, 2011 without agreement having been reached, because STMFC refused to extend the deadline.
On January 24, 2012, the secretary's office of the International Arbitration Court of the ICC notified STS of the commencement of arbitration proceedings as requested by STMFC. The brief filed by STMFC in support of its request for arbitration included a demand for payment of approximately €264 million for damages, 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. From both a legal and factual perspective it is extremely difficult to see how STS can be accused of acts of gross negligence or malice that, as STMFC maintains, exceeded the contractual limitation of liability.
STS is currently drafting its defence brief, inclusive of a counterclaim for a sum in the region of €150 million for damages due to the excessive interference of STMFC in works execution and as payment for extra works not recognized by the client.

Revenues

The following is a summary of the main components of revenues. The most significant changes in revenues are analyzed in the 'Financial and economic results' section included in the 'Operating and Financial Review'.

32 Net sales from operations

Net sales from operations were as follows:

(€ million)	2010	2011
Net sales from operations	11,526	12,108
Change in contract work in progress	(366)	485
Total	**11,160**	**12,593**

Net sales by geographical area were as follows:

(€ million)	2010	2011
Italy	792	543
Rest of Europe	1,139	1,395
CIS	1,232	1,709
Middle East	1,672	2,047
Far East	382	667
North Africa	2,546	2,531
West Africa and rest of Africa	2,678	2,692
Americas	719	1,009
Total	**11,160**	**12,593**

Information required by IAS 11 is provided by business sector in Note 43 'Segment information, geographical information and construction contracts'.
Revenues from related parties amounted to €2,613 million and are shown in Note 44 'Transactions with related parties'.

33 Other income and revenues

Other income and revenues were as follows:

(€ million)	2010	2011
Gains on disposal of assets	1	1
Indemnities	9	5
Other	7	32
Total	**17**	**38**

Other revenues included €20 million due to Saipem SpA for the settlement of trade transactions for previous years.
Other income and revenues from related parties amounted to €3 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 revenues are analyzed in the 'Financial and economic results' section of the 'Directors' Report'.

34 Purchases, services and other

Purchases, services and other miscellaneous operating expenses included the following:

(€ million)	2010	2011
Production costs - raw, ancillary and consumable materials and goods	2,484	2,425
Production costs - services	4,569	5,383
Operating leases and other	768	921
Net provisions for contingencies	(33)	40
Other expenses	80	69
less:		
- capitalized direct costs associated with self-constructed assets	(79)	(25)
- changes in inventories of raw, ancillary and consumable materials and goods	(75)	(64)
Total	**7,714**	**8,749**

Production costs for services included agency fees of €12 million (€26 million at December 31, 2010).
Costs incurred in connection with research and development activities recognized in profit and loss as they do not meet the requirements to be capitalized amounted to €12 million (€13 million at December 31, 2010).
'Operating leases and other' included operating lease payments of €903 million (€763 million in 2010).
Future minimum lease payments expected to be paid under non-cancellable operating leases amounted to €334 million (€329 million in 2010), of which €119 million was due within one year, €160 million between 2-5 years and €55 million due after 5 years.
Net provisions for contingencies are detailed in Note 20 'Provisions for contingencies'.
Other expenses of €69 million included indirect taxes of €46 million, mainly related to foreign direct and indirect subsidiaries of Saipem SpA.
Purchase services and other expenses to related parties amounted to €209 million and are shown in Note 44 'Transactions with related parties'.

35 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	2010	2011
Wages and salaries	1,320	1,429
Social security contributions	203	230
Contributions to defined benefit plans	42	35
Employee termination indemnities	3	2
Accrual to provision for employee termination indemnities recognized as a contra-entry to pension plans or Inps fund	23	23
Other costs	56	44
less:		
- capitalized direct costs associated with self-constructed assets	(20)	(13)
Total	**1,627**	**1,750**

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

Stock-based compensation

Until 2008, Saipem maintained stock option grant programs with the aim of improving the motivation and loyalty of its senior managers.
No new stock-based compensation schemes for Saipem senior managers were started in 2011.

STOCK OPTIONS

The following table shows changes in the stock option plans:

	2010			2011		
(€ thousand)	Number of shares	Average strike price	Market price [a]	Number of shares	Average strike price	Market price [a]
Options as of January 1	**4,769,014**	**21.045**	**114,933**	**2,338,550**	**23.564**	**88,062**
New options granted	-	-	-	-	-	-
(Options exercised during the year)	(1,940,675)	17.668	53,555	(566,900)	19.607	19,026
(Options expiring during the year)	(489,789)	-	11,951	(133,900)	-	4,919
Options outstanding as of December 31	**2,338,550**	**23.564**	**88,062**	**1,637,750**	**24.885**	**53,800**
of which exercisable at December 31	**899,575**	**19.742**	**33,140**	**1,462,200**	**24.767**	**48,033**

(a) The market price relating to new options granted, options exercised in the year 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, 2011 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			(882,500)
2006			(1,283,675)
2007			(622,075)
2008			(71,725)
			(7,058,072)
Options expired			
2002			(258,447)
2003			(78,000)
2004			(20,500)
2005			(33,000)
2006			(568,525)
2007			(346,850)
2008			(170,900)
			(1,476,222)
Options outstanding			
2002			-
2003			-
2004			-
2005			65,000
2006			112,800
2007			363,575
2008			1,096,375
			1,637,750

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

At December 31, 2011, 1,637,750 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 dof shares	Strike price (€)	Average remaining life (years)	Fair value (€) for assignees resident in Italy	Fair value (€) for assignees resident in France
2002 plan	-	6.187	-	-	-
2003 plan	-	6.821	-	1.1928	1.1806
2004 plan	-	7.594	-	2.0935	2.0085
2005 plan	65,000	11.881	1	3.1029	2.9795
2006 plan	112,800	17.519	1	5.7208	6.1427
2007 plan	363,575	26.521	2	8.8966	9.5320
2008 plan	1,096,375	25.872	3	8.2186	8.7734
Total	**1,637,750**				

The fair value of stock options granted in 2002 is not available, as it was not calculated at the time of assignment. The fair value valuation of options granted in 2003, 2004 and 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 2006, 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

The cost of stock grant and stock option plans in 2011 amounted to €1 million (€4 million in 2010).

Compensation of key management personnel

Compensation due to senior managers responsible for Group results or holding positions of strategic interest (i.e. key management personnel) amounted to €17 million and was as follows:

(€ million)	**2010**	**2011**
Wages and salaries	11	12
Employee termination indemnities	3	2
Other long-term benefits	2	2
Stock options	2	1
Total	**18**	**17**

Compensation of Statutory Auditors

Compensation of Statutory Auditors amounted to €202 thousand for 2011 and €185 thousand for 2010.
Compensation includes emoluments and any other financial rewards or pension/medical benefits due for the function of Statutory Auditors of Saipem SpA or of companies within the scope of consolidation that represent a cost to Saipem, even if these are not subject to the 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, 2010	Dec. 31, 2011
Senior managers	428	432
Junior managers	4,253	4,550
White collars	16,710	18,354
Blue collars	16,750	16,747
Seamen	287	305
Total	**38,428**	**40,388**

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, amortization and impairment

Depreciation, amortization and impairment were detailed below:

(€ million)	2010	2011
Depreciation and amortization:		
- tangible assets	506	597
- intangible assets	8	11
	514	**608**
Impairment:		
- tangible assets	2	34
- intangible assets	1	-
Total	**517**	**642**

37 Other operating income and expense

The income statement effects of the change in fair value of derivatives that did not meet the formal requirements to qualify as hedging instruments under IFRS are recognized in ‘Other operating income and expense’.
At December 31, 2011 these related to income of €3 million.

38 Finance income (expense)

Finance income (expense) was as follows:

(€ million)	2010	2011
Finance income (expense)		
Finance income	851	524
Finance expense	(995)	(586)
	(144)	**(62)**
Derivatives	34	(71)
	(110)	**(133)**

Net finance income and expense was as follows:

(€ million)	2010	2011
Exchange gains (losses)	**(89)**	**36**
Exchange gains	842	506
Exchange losses	(931)	(470)
Finance income (expense) related to net borrowings	**(56)**	**(98)**
Interest and other income from Group financial companies	1	4
Interest from banks and other financial institutions	7	14
Interest and other expense due to Group financial companies	(53)	(93)
Interest and other expense due to banks and other financial institutions	(11)	(23)
Other finance income (expense)	**1**	**-**
Total finance income (expense)	**(144)**	**(62)**

Gains (losses) on derivatives consisted of the following:

(€ million)	2010	2011
Exchange rate derivatives	43	(68)
Interest rate derivatives	(9)	(3)
	34	**(71)**

The net loss on derivatives of €71 million (gain of €34 million in 2010) mainly related to the recognition in income of the change in fair value of derivatives that did not qualify for hedge accounting under IFRS and changes in the value of the forward component of derivatives that qualified 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)	2010	2011
Share of profit of investments accounted for using the equity method	16	16
Share of loss of investments accounted for using the equity method	(4)	(1)
Net additions to (deductions from) the provisions for losses for investments accounted for using the equity method	(12)	1
Total	**-**	**16**

The share of profit (losses) of investments accounted for using the equity method is commented on in Note 9 'Investments accounted for using the equity method'.

Other income (expense) from investments

Other income and expense from investments was as follows:

(€ million)	2010	2011
Gain on disposals	20	3
Other income (expense)	10	-
Total	**30**	**3**

40 Income taxes

Income taxes consisted of the following:

(€ million)	2010	2011
Current taxes:		
- Italian subsidiaries	140	162
- foreign subsidiaries	169	209
Net deferred taxes:		
- Italian subsidiaries	(9)	34
- foreign subsidiaries	45	(13)
Total	**345**	**392**

Current taxes amounted to €371 million and related to Ires (€56 million), Irap (€18 million) and other taxes (€297 million).
The effective tax rate was 28.4% (27.8% in 2010) compared with a statutory tax rate of 30.6% (30.3% in 2010), calculated by applying a 27.5% tax rate (Ires) to profit before income taxes and 3.9% tax rate (Irap) to the net value of production as provided for by Italian laws.
The difference between the statutory and effective tax rate was due to the following factors:

(%)	2010	2011
Statutory tax rate	**30.3**	**30.6**
Items increasing (decreasing) statutory tax rate:		
- lower foreign subsidiaries tax rate	(9.8)	(7.0)
- permanent differences and other factors	7.3	4.8
Total changes	**(2.5)**	**(2.2)**
Effective tax rate	**27.8**	**28.4**

(€ million)	2010	2011
Income taxes recognized in consolidated income statement	345	392
Income taxes recognized in statement of comprehensive income	20	6
Tax on total comprehensive income	**365**	**398**

41 Minority interest

Minority interest's share of profit amounted to €66 million (€50 million in 2010).

42 Earnings per share

Basic earnings per ordinary share are calculated by dividing net profit 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 438,180,772 and 437,355,728 in 2011 and 2010, 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, 2011, shares that could potentially be issued only regarded shares granted under stock option plans. The average number of

shares outstanding used for the calculation of diluted earnings for 2010 and 2011 was 439,834,726 and 439,953,970, respectively. Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share was as follows:

		Dec. 31, 2010	Dec. 31, 2011
Average number of shares used for the calculation of the basic earnings per share		**437,355,728**	**438,180,772**
Number of potential shares following stock option plans		2,338,550	1,637,750
Number of savings shares convertible into ordinary shares		140,448	135,448
Average number of shares used for the calculation of the diluted earnings per share		**439,834,726**	**439,953,970**
Saipem's net profit	(€ million)	844	921
Basic earnings per share	(€ per share)	1.93	2.10
Diluted earnings per share	(€ per share)	1.92	2.09

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, 2010						
Net sales from operations	5,990	6,168	985	831	-	13,974
less: intra-group sales	1,504	932	235	143	-	2,814
Net sales to customers	4,486	5,236	750	688	-	11,160
Operating profit	613	370	258	78	-	1,319
Depreciation, amortization and impairment	219	39	144	115	-	517
Net income from investments	30	-	-	-	-	30
Capital expenditure	713	25	553	254	-	1,545
Property, plant and equipment	3,187	118	3,202	896	-	7,403
Investments	35	82	-	-	-	117
Current assets	1,827	2,772	310	487	1,220	6,616
Current liabilities	2,104	3,076	307	476	1,602	7,565
Provisions for contingencies	42	62	2	-	58	164
December 31, 2011						
Net sales from operations	6,842	6,804	1,187	856	-	15,689
less: intra-group sales	1,767	859	354	116	-	3,096
Net sales to customers	5,075	5,945	833	740	-	12,593
Operating profit	686	483	222	102	-	1,493
Depreciation, amortization and impairment	255	35	221	131	-	642
Net income from investments	14	4	-	-	-	18
Capital expenditure	509	59	509	122	-	1,199
Property, plant and equipment	3,851	464	3,550	911	-	8,776
Investments	36	74	-	-	-	110
Current assets	2,006	2,523	438	361	1,390	6,718
Current liabilities	2,200	2,861	439	347	2,116	7,963
Provisions for contingencies	72	66	3	1	66	208

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
2010									
Capital expenditure	116	6	216	116	9	38	49	995	1,545
Tangible and intangible assets	117	22	491	317	49	495	906	5,766	8,163
Identifiable assets (current)	474	916	473	1,054	1,360	1,429	510	400	6,616
2011									
Capital expenditure	73	5	27	171	11	16	158	738	1,199
Tangible and intangible assets	88	21	425	497	50	439	1,089	6,167	8,776
Identifiable assets (current)	315	1,070	633	1,460	1,025	972	617	626	6,718

Current assets were allocated by geographical area using the following criteria: (i) cash and cash equivalents and financing receivables were allocated on the basis of the country in which individual company bank accounts were held; (ii) inventory was allocated on the basis of the country in which onshore storage facilities were situated (i.e. excluding inventory in storage facilities situated on vessels); (iii) trade receivables and other assets were allocated to the geographical area to which the related project belonged.
Non-current assets were allocated on the basis of the country in which the asset operates, except for offshore drilling and construction vessels, which were included under 'Unallocated'.

Construction contracts

Construction contracts were accounted for in accordance with IAS 11.

(€ million)	2010	2011
Construction contracts - assets	395	882
Construction contracts - liabilities	(1,632)	(1,197)
Construction contracts - net	**(1,237)**	**(315)**
Costs and margins (completion percentage)	10,354	11,373
Progress billings	(11,589)	(11,664)
Change in provision for future losses	(2)	(24)
Construction contracts - net	**(1,237)**	**(315)**

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 utilization of financial resources, and 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 are carried out for the mutual benefit of the Saipem companies involved.
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, 2010 consisted of the following:

(€ million)

	Dec. 31, 2010			2010			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
Associated and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta Velocità) Due	55	3	76	-	3	5	-
Kwanda Suporto Logistico Lda	51	1	-	-	-	17	-
Rosetti Marino SpA Group	3	-	-	-	-	5	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	3	1	-	-	1	4	-
Saipem Triune Engineering Private Ltd	-	-	1	-	-	-	-
Total associated and jointly controlled companies	**112**	**5**	**77**	**-**	**4**	**31**	**-**
Eni consolidated subsidiaries							
Eni SpA	1	6	5,688	6	7	3	-
Eni SpA Exploration & Production Division	102	2	-	2	1	231	-
Eni SpA Gas & Power Division	2	1	-	-	6	1	-
Eni SpA Refining & Marketing Division	58	3	-	5	8	96	-
Agip Energy & Natural Resources (Nigeria) Ltd	13	-	-	-	-	32	-
Agip Karachaganak BV	2	-	-	-	-	4	-
Agip Oil Ecuador BV	2	-	-	-	-	9	-
Burren Energy Services Ltd	2	-	-	-	-	7	-
Eni Adfin SpA	2	1	-	-	4	-	-
Eni Algeria Production BV	1	-	-	-	-	2	-
Eni Angola SpA	9	-	-	-	-	93	-
Eni Australia BV	-	-	-	-	-	82	-
Eni Canada Holding Ltd	234	63	-	-	-	550	-
Eni Congo SA	38	-	-	-	-	132	-
Eni Corporate University SpA	-	2	-	-	5	-	-
Eni Denmark BV	2	-	-	-	-	5	-
Eni Finance USA Inc	17	-	-	-	-	-	-
Eni Hewett Ltd	1	-	-	-	-	6	-
Eni Indonesia Ltd	-	-	-	-	-	20	-
Eni Iraq BV	1	2	-	-	-	22	-
Eni Mediterranea Idrocarburi SpA	18	-	-	-	-	22	-
Eni Muara Bakau BV	8	-	-	-	-	41	-
Eni Norge AS	1	-	-	-	-	1	-
EniPower SpA	5	-	-	-	-	10	-
EniServizi SpA	-	9	-	-	41	-	-
Eni Timor Leste SpA	12	-	-	-	-	11	-
Eni Trading & Shipping SpA	-	-	-	14	-	-	-
Eni Tunisia BV	5	-	-	-	-	25	-
Eni Venezuela BV	1	-	-	-	-	1	-
Ieoc Production BV	-	-	-	-	-	12	-
Naoc - Nigerian Agip Oil Co Ltd	57	23	-	-	-	92	-
Nigerian Agip Exploration Ltd	-	-	-	-	-	1	-
Polimeri Europa France SAS	-	-	-	-	-	1	-
Polimeri Europa SpA	14	-	-	-	2	18	-
Raffineria di Gela SpA	21	-	-	-	-	31	-
Serfactoring SpA	-	87	-	-	1	-	-
Snam Rete Gas SpA	95	-	-	-	-	148	-
Società Adriatica Idrocarburi SpA	3	-	-	-	-	12	-
Società EniPower Ferrara Srl	8	-	-	-	-	8	-
Società Ionica Gas SpA	3	-	-	-	-	8	-
Stoccaggi Gas Italia SpA	16	-	-	-	-	32	-
Syndial SpA	38	-	-	-	-	33	-
Total Eni consolidated subsidiaries	**792**	**199**	**5,688**	**27**	**75**	**1,802**	**-**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	140	14	-	-	-	853	-
Total Eni subsidiaries	**932**	**213**	**5,688**	**27**	**75**	**2,655**	**-**
Eni associates	29	126	-	-	-	40	-
Total Eni companies	**961**	**339**	**5,688**	**27**	**75**	**2,695**	**-**
Total transactions with related parties	**1,073**	**344**	**5,765**	**27**	**79**	**2,726**	**-**
Overall total	**4,330**	**5,814**	**7,387**	**2,484**	**5,337**	**11,160**	**17**
Incidence (%)	**24.78**	**5.92**	**78.04**	**1.09**	**1.48**	**24.43**	**-**

Trade and other transactions as of and for the year ended December 31, 2011 consisted of the following:

(€ million)

	Dec. 31, 2011			2011			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
Unconsolidated subsidiaries							
Sagio - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	-	-	-	2	-	-
Total unconsolidated subsidiaries	**-**	**-**	**-**	**-**	**2**	**-**	**-**
Associated and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta Velocità) Due	24	91	84	-	84	38	-
Kwanda Suporto Logistico Lda	54	2	-	-	2	13	-
Rosetti Marino SpA Group	-	-	-	1	1	-	-
Milano-Brescia-Verona Scarl	-	-	-	-	2	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	5	-	-	-	1	-	-
Total associated and jointly controlled companies	**83**	**93**	**84**	**1**	**90**	**51**	**-**
Eni consolidated subsidiaries							
Eni SpA	2	11	5,448	-	15	1	-
Eni SpA Exploration & Production Division	134	-	-	-	-	181	-
Eni SpA Gas & Power Division	1	1	-	-	2	-	-
Eni SpA Refining & Marketing Division	38	-	-	8	-	63	-
Agip Energy & Natural Resources (Nigeria) Ltd	3	-	-	-	-	14	-
Agip Karachaganak BV	2	-	-	-	-	2	-
Agip Oil Ecuador BV	-	-	-	-	-	6	-
Burren Energy Services Ltd	2	-	-	-	-	7	-
Eni Adfin SpA	-	-	-	-	4	-	-
Eni Algeria Production BV	1	-	-	-	-	1	-
Eni Angola SpA	27	-	-	-	-	109	-
Eni Australia Ltd	1	-	-	-	-	42	-
Eni Canada Holding Ltd	112	18	-	-	-	458	-
Eni Congo SA	56	-	-	-	-	78	-
Eni Corporate University SpA	-	4	-	-	7	-	-
Eni East Africa SpA	21	-	-	-	-	41	-
Eni Finance USA Inc	51	-	-	-	-	-	-
Eni Insurance Ltd	8	11	-	-	23	12	-
Eni Iraq BV	5	1	-	-	-	25	-
Eni Mediterranea Idrocarburi SpA	1	-	-	-	-	2	-
Eni Muara Bakau BV	-	-	-	-	-	24	-
Eni Norge AS	21	-	-	-	-	51	-
EniPower SpA	1	-	-	-	-	3	-
EniServizi SpA	2	17	-	-	44	1	-
Eni Timor Leste SpA	-	-	-	-	-	8	-
Eni Trading & Shipping SpA	-	-	-	9	-	-	1
Eni Venezuela BV	1	-	-	-	-	3	-
Naoc - Nigerian Agip Oil Co Ltd	31	-	-	-	-	41	-
Nigerian Agip Exploration Ltd	-	-	-	-	-	2	-
Polimeri Europa France SAS	-	-	-	-	-	1	-
Polimeri Europa SpA	6	-	-	-	-	6	-
Raffineria di Gela SpA	13	-	-	-	-	21	-
Serfactoring SpA	2	70	-	-	1	-	-
Snam Rete Gas SpA	42	-	-	-	-	56	-
Società EniPower Ferrara Srl	-	-	-	-	-	1	-
Stoccaggi Gas Italia SpA	22	-	-	-	-	20	-
Syndial SpA	21	-	-	-	-	34	-
Tecnomare SpA	1	-	-	-	-	1	-
Other (for transactions not exceeding €500 thousand)	3	2	-	-	1	1	-
Total Eni consolidated subsidiaries	**631**	**135**	**5,448**	**17**	**97**	**1,316**	**1**

Trade and other transactions as of and for the year ended December 31, 2011 continued

(€ million)

Name	Dec. 31, 2011 Receivables	Payables	Guarantees	2011 Costs Goods	Services	Revenues Goods and services	Other
Total Eni consolidated subsidiaries	**631**	**135**	**5,448**	**17**	**97**	**1,316**	**1**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	127	18	-	-	-	1,165	-
Industria Siciliana Acido Fosforico SpA	-	-	-	-	-	1	-
Total Eni subsidiaries	**758**	**153**	**5,448**	**17**	**97**	**2,482**	**1**
Eni associated and jointly controlled companies	39	-	-	-	-	80	-
Total Eni companies	**797**	**153**	**5,448**	**17**	**97**	**2,562**	**1**
Entities owned or controlled by the State	**-**	**-**	**-**	**1**	**1**	**-**	**2**
Total transactions with related parties	**880**	**246**	**5,532**	**19**	**190**	**2,613**	**3**
Overall total	**3,504**	**5,341**	**7,175**	**2,425**	**6,304**	**12,593**	**38**
Incidence (%)	**25.11**	**4.61**	**77.10**	**0.78**	**3.01**	**20.75**	**7.89**

The figures shown in the tables refer to Note 2 'Trade and other receivables', Note 15 'Trade and other payables', Note 31 'Guarantees, commitments and risks', Note 34 'Purchases, services and other', Note 32 'Net sales from operations' and Note 33 'Other income and revenues'.
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, which amounted to €80 million, principally included €61 million from Petrobel Belayim Petroleum Co. Receivables of €39 million were due mainly from Mellitah Oil & Gas BV (€21 million) and from Petrobel Belayim Petroleum Co (€10 million).

(€ million)	Dec. 31, 2010 Other receivables	Other payables	Dec. 31, 2011 Other receivables	Other payables
Eni SpA	163	113	231	477
Eni SpA Exploration & Production Division	-	-	-	-
Eni Gas & Power Division	-	-	-	-
Banque Eni SA	1	-	9	10
EniServizi SpA	-	-	-	-
Eni Trading & Shipping SpA	1	27	-	7
Total transactions with related parties	**165**	**140**	**240**	**494**
Overall total	**314**	**159**	**644**	**508**
Incidence (%)	**52.55**	**88.05**	**37.27**	**97.24**

Financial transactions

Financial transactions as of and for the year ended December 31, 2010 consisted of the following:

(€ million)

Name	Dec. 31, 2010 Payables (1)	Commitments	2010 Expenses	Income	Derivatives
Eni SpA	1,166	11,093	(38)	-	29
Banque Eni SA	-	96	(1)	-	-
CEPAV (Consorzio Eni per l'Alta Velocità) Due	43	-	-	-	-
Eni Finance International SA (formerly Eni Coordination Center SA)	2,479	-	(13)	1	-
Serfactoring SpA	-	-	(1)	-	-
Total transactions with related parties	**3,688**	**11,189**	**(53)**	**1**	**29**

(1) Shown on the balance sheet under 'Short-term debt' (€875 million) and inclusive of the current portion under 'Long-term debt' (€2,813 million).

Financial transactions also included transactions with Eni Trading & Shipping SpA which were included in the income statement under the item 'Other operating income (expense)'.
Financial transactions as of and for the year ended December 31, 2011 consisted of the following:

(€ million)

	Dec. 31, 2011		2011		
Name	Payables [1]	Commitments	Expenses	Income	Derivatives
Eni SpA	1,415	11,568	(46)	1	(60)
Banque Eni SA	-	274	-	-	(2)
Eni Finance International SA (formerly Eni Coordination Center SA)	2,535	-	(46)	3	-
Eni Trading & Shipping SpA	-	-	-	-	3
Serfactoring SpA	17	-	(1)	-	-
Total transactions with related parties	**3,967**	**11,842**	**(93)**	**4**	**(59)**

(1) Shown on the balance sheet under 'Short-term debt' (€826 million) and inclusive of the current portion under 'Long-term debt' (€3,141 million).

Financial transactions also included transactions with Eni Trading & Shipping SpA which were 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 provides 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, 2010			Dec. 31, 2011		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Short-term debt	1,002	875	87.33	956	826	86.40
Long-term debt (including current portion)	3,214	2,813	87.52	3,342	3,141	93.99

	2010			2011		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Finance income	851	1	0.12	524	4	0.76
Finance expenses	(995)	(53)	5.33	(586)	(93)	15.87
Derivatives	34	29	85.29	(71)	(62)	87.32
Other operating income (expense)	-	-	0.00	3	3	100.00

The main cash flows with related parties were as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Revenues and other income	2,726	2,616
Costs and other expenses	(106)	(209)
Finance income (expense) and derivatives	(23)	(148)
Change in trade receivables and payables	174	95
Net cash provided by operating activities	**2,771**	**2,354**
Change in financial (payables) receivables	280	279
Net cash flow from financing	**280**	**279**
Total cash flows with related parties	**3,051**	**2,633**

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

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

(€ million)	Dec. 31, 2010 Total	Dec. 31, 2010 Related parties	Dec. 31, 2010 Incidence (%)	Dec. 31, 2011 Total	Dec. 31, 2011 Related parties	Dec. 31, 2011 Incidence (%)
Cash provided by operating activities	1,324	2,771	209.29	1,549	2,354	151.97
Cash used in investing activities	(1,455)	-	-	(1,184)	-	-
Cash flow from financing activities (*)	259	280	108.11	20	279	1,395

(*) Cash used in financing activities does not include dividends distributed or net purchase of treasury shares.

Information on jointly controlled entities

Information relating to jointly controlled entities, consolidated using the proportionate method are as follows:

(€ million)	Dec. 31, 2010	Dec. 31, 2011
Capital employed, net	(125)	(100)
Total assets	360	489
Total current assets	333	391
Total non-current assets	27	98
Total liabilities	339	438
Total current liabilities	321	415
Total non-current liabilities	18	23
Total revenues	743	919
Total operating expenses	(735)	(835)
Operating profit	8	84
Net profit (loss) for the year	1	79

45 Significant non-recurring events and operations

No significant non-recurring events or operations took place in 2011.

46 Transactions deriving from atypical or unusual operations

In 2010 and 2011, there were no transactions deriving from atypical and/or unusual operations.

47 Events subsequent to year-end

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

Certification of the consolidated financial statements pursuant to Article 154-*bis*, paragraph 5 of Legislative Decree No. 58/1998 (Testo Unico della Finanza)

1. The undersigned Pietro Franco Tali and Giulio Bozzini in their capacity as Deputy Chairman and 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 2011 consolidated financial statements 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 2011 consolidated financial statements have been defined and the evaluation of their effectiveness has been assessed based on principles and methodologies adopted by Saipem in accordance with the Internal Control - Integrated Framework Model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally-accepted framework for the internal control system.

3. The undersigned officers also certify that:

3.1 these 2011 consolidated financial statements:

a) were prepared in accordance with the evaluation and measurement criteria issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002;

b) correspond to the company's evidence and accounting books and entries;

c) fairly represent the financial condition, results of operations and cash flows of the Parent Company and the Group consolidated companies as of and for the period presented in this report;

3.2 the directors' report provides a reliable analysis of business trends and results, including a trend analysis of the Parent Company and the Group companies, as well as a description of the main risks and uncertain situations to which they are exposed.

March 13, 2012

Pietro Franco Tali	Giulio Bozzini
Deputy Chairman and CEO	Chief Financial Officer

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

To the Shareholders
of Saipem S.p.A.

1. We have audited the consolidated financial statements of Saipem S.p.A. and its subsidiaries, (the "Saipem Group") as of and for the year ended December 31, 2011, 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 consolidated financial statements based on our audit.

2. Our audit was performed 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 and correct application of the accounting principles and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 29, 2011.

3. In our opinion, the consolidated financial statements of the Saipem Group as of December 31, 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Saipem Group for the year then ended.

4. The Directors of Saipem S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Directors' Report and the Corporate Governance Report and Shareholding Structure 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 included therein 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 Report and Shareholding Structure , 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 reported therein 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) included in the Corporate Governance Report and Shareholding Structure, are consistent with the consolidated financial statements of the Saipem Group as of December 31, 2011.

Milan, March 28, 2012

Reconta Ernst & Young S.p.A.

Signed by: Pietro Carena, Partner

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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.I. 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

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Addendum
Sustainability Performance

Sustainability Performance

This Addendum provides information on the Saipem Group's sustainability performance pursuant to the Guidelines of the Global Reporting Initiative (version G3.0).
The information contained herein has been structured according to GRI indicators, and supplements the information disclosed previously in sections of the Annual Report and through other tools used to report on the year's performance, as detailed in the chapter 'Methodology and Reporting Criteria'.

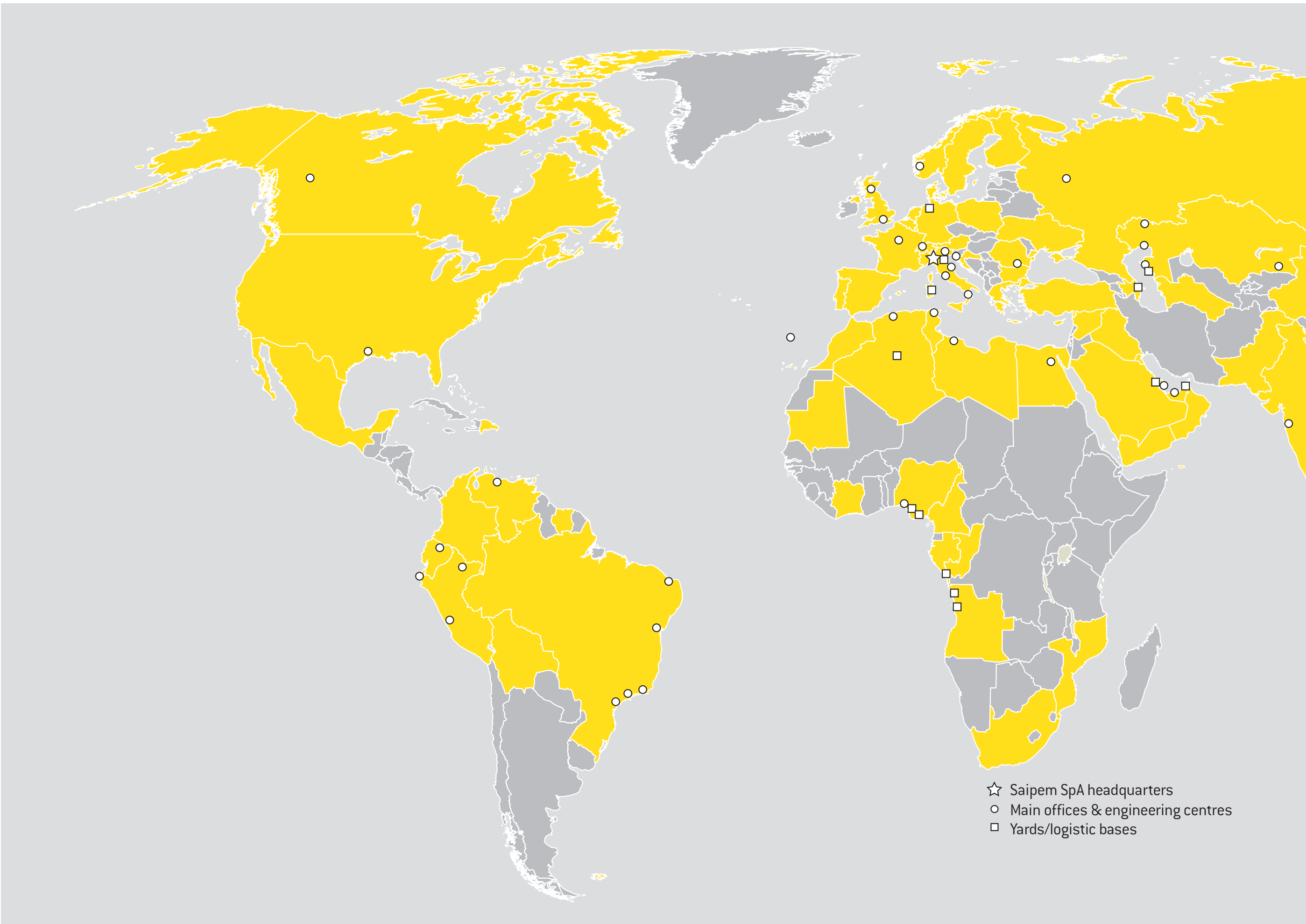
Index

Organizational Profile

Ref. GRI 2.1-2.10

This section summarizes the main information regarding the Company's organizational profile, pursuant to indicators 2.1-2.10 of the GRI. Information is compliant with the Annual Report, to which readers are referred for further details.
Saipem operates as a global contractor in the Oil & Gas industry, and enjoys a solid presence on all continents as well as strategic positioning in the main areas of the oil sector, including West Africa, North Africa, the former USSR, Central Asia, the Middle East, the Americas and South-East Asia.
Saipem is listed on the Milan Stock Exchange and is a subsidiary of Eni, which has a 42.9% stake in the Company.
Saipem has 44,232 employees, of whom over 76.1% are local resources. In 2011, the Group's companies were actively involved in around 290 projects worldwide.

That same year, Saipem's results confirmed its excellent competitive position as well as its efficiency in executing projects (for financial performance, please see previous chapters).
Saipem has two Business Units: Engineering & Construction and Drilling, which often operate in synergy for Onshore and Offshore projects. The Engineering & Construction Business Unit is the outcome of a merger between the previous Onshore and Offshore Business Units.
In the Engineering & Construction BU, offshore activities include platforms, marine terminals, pipelines and the development of deep-water fields. Experience in EPIC (Engineering, Procurement, Construction and Installation) projects hinges on trunklines, export pipelines, infield flowlines, pipe-in-pipe systems, bundles, tie-ins and riser systems for the transportation of oil, gas and multi-phase products from depths in excess of 2,000 metres.
Saipem is also involved in the construction of marine terminals, mooring systems with conventional buoys, wharfs, jetties and FPSO (Floating Production Storage and Offloading) units.
Onshore, Saipem mainly serves the Oil & Gas segments, the refining and petrochemical markets, as well as a number of diversified industrial markets such as environment, infrastructures and marine terminals. The Company has four engineering centres located in Italy (Milan and Fano), France (Paris) and India (Chennai). It can also bank on the support of a range of medium-sized engineering centres in Algeria, Canada, India, Italy, Romania and Great Britain. In 2011, Offshore Engineering & Construction work involved the laying of 1,682 km



of pipeline and the installation of 105,033 tonnes of plant and equipment. As regards Onshore Engineering & Construction, on the other hand, work included the laying of 889 km of pipelines of varying diameter and the installation of 353,480 tonnes of plant and equipment.
Following the signing of contracts with the main oil companies, Saipem's Drilling BU is currently working on some major drilling projects in Europe, the former USSR, North Africa, West Africa, the Middle and Far East and the Americas. Offshore, Saipem operates in both shallow and deep waters.
Offshore Drilling comprised the drilling of 64 wells, totalling approximately 177,725 metres drilled, whereas Onshore Drilling comprised 307 wells, totalling approximately 984,949 metres drilled.
For Offshore Construction, Saipem has a fleet of over 40 vessels. In sea drilling, the Company in fact boasts a rich fleet with six jack-ups already completed and a seventh under construction, a Tender Assisted Drilling Barge, five semi-submersible drilling rigs and a drillship – the Saipem 12000 – which can operate at depths of up to 12,000 feet. In the Onshore sector, Saipem owns about 100 drill and workover rigs. The Company's assets are rounded off by three FPSO units: FPSO Cidade de Vitória, FPSO Gimboa (located in Brazil and Angola, respectively) and FPSO Aquila (which entered into service in December 2011).
Saipem also owns permanent yards in Angola, Saudi Arabia, Azerbaijan, Brazil (under construction), Congo, Indonesia, Italy, Kazakhstan and Nigeria.

Over the past few years, Saipem has implemented a long-term investment plan targeted at expanding is fleet with new assets. As regards E&C, the scope of the plan is the introduction of new vessels for Offshore Construction as well as FPSOs. For Drilling, investments aim to increase the number of drilling rigs (Onshore and Offshore) and to achieve improvements and innovations in existing plant and equipment.

In 2011, Saipem's sustainability performance obtained the recognition of numerous institutions and rating agencies. For the third consecutive year the Company was included in the DJSI Europe index and in 2011 appeared once again in the FTSE 4 Good and the Ethibel EXCELLENCE Investment Register, thus repeating the successes of 2010. Lastly, for the third year running Saipem was recognized in the SAM Sustainability Yearbook 2011 as a 'Sustainability Leader' in the Oil Equipment & Services industry.

Employees by geographical area

	Total employees	Local employees
Americas	6,665	5,825
CIS	4,653	3,155
Europe	10,410	8,424
Middle East	5,508	4,315
North Africa	4,523	3,739
Far East	4,011	2,951
West Africa and Rest of Africa	8,462	5,279

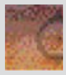
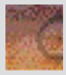
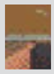
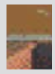
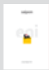
Commitments, results and objectives

Commitments	2011 Results	2012-2015 goals
Safety		
Ensure the safety of everyone who works for Saipem	- OHSAS 18001 certification for the new Engineering & Construction Business Unit and for activities in Integrated Projects (PRIN) - Continuation of the LiHS programme. Realization of the new phase called Leading Behaviours: presentation of the 5 Leading Behaviours on the intranet, with 600 cascaded communications events involving 20,000 employees - Realization of Road Accident projects (Kazakhstan and Congo) - Setting up, in association with the Alma Mater Studiorum Università of Bologna, of a Master's degree titled 'Health, Safety and Environmental Protection in the Oil & Gas Industry'	- Continue and expand the LiHS 'Leading Behaviours' campaign - Improve communications and sharing of information with subcontractors to enhance their performance and their compliance with Saipem's health and safety standards - Continue the asset risk assessment process - Develop and implement training initiatives to ensure that the personnel involved in HSE processes are constantly updated on the most recent legal requirements
Health		
Safeguard and promote the health of Saipem people	- Continuation of the BE.ST (Better Lifestyle) programme for controlling and preventing non-transmissible diseases (e.g. diabetes, hypertension, chronic pulmonary illnesses, obesity and cardiovascular diseases) - Continuation of malaria programmes for employees and local communities - 6,050 check-ups made by Saipem's Italian Health and Occupational Medicine service and agreements put in place with more than 20 Occupational Medicine Centres in Italy for health surveillance programmes - 'Pre Travel Counselling' provided for in excess of 700 employees heading abroad - Cooperation with scientific bodies and institutions (Simlii, Siti, Simvim, Ukooa, Icoh, University of Rome 'La Sapienza', the San Raffaele hospital) to share health surveillance protocols and information on related matters	- Continue malaria programmes for employees and local communities - Reinforce monitoring of the long-distance health service, especially for employees operating in frontier areas - Extend the BE.ST programme to all Group operating companies and branches - Continue audits of the Health Management System - Extend Saipem's Health Management System to include subcontractor companies
Personnel development		
Develop the skills and competences of human resources and improve both the work environment and the HR management system	- Setting up of partnerships and associations with local universities for the development of the technical and managerial skills of personnel - Expansion of the personnel management system (GHRS) to cover 95% of the Group's operating companies - Organization of seminars for resource managers to raise awareness on all themes of management, development and training of staff, including Y-ers - Expansion of the Feedback Project to include young graduates and middle management - Issuing of an Operational Procedure on the management of Italian personnel on international assignment - Introduction of the 'Knowledge Owner' into the professional system	- Increase even further the presence of local personnel at all levels of the organization and promote greater multiculturality - Implement actions in support of female employment by increasing the presence of women candidates at all levels, by improving the quality of their working conditions and by adopting welfare tools - Implement policies for monitoring and developing expatriate resources - Continue the people survey on young graduates and school leavers
Security		
Ensure the security of Saipem's people and vessels	- Introduction of a new Company Security Standard to ensure the highest levels of protection for people and assets in environments sometimes characterized by high levels of risk	- Increase the number of contracts with external security companies that include clauses on human rights
Local areas and communities		
Improve and consolidate relations with local stakeholders	- Implementation of a model for assessing the positive effects of the Local Content strategy - Holding of two in-house workshops with sustainability facilitators to standardize and improve tools for mapping and analysing stakeholders and local contexts - Completion of half-yearly socio-economic surveys of host populations of the Karimun Yard (Indonesia)	- Reinforce dialogue with local Clients and institutions in relation to Saipem's programmes targeted at the development of the local context - Complete the process of updating sustainability facilitators on tools for mapping and analysing stakeholders and the local context - Improve the system for monitoring local community initiatives - Continue implementation of the model for assessing the effects of the Local Content strategy on significant operating contexts

Commitments	2011 Results	2012-2015 goals
Local areas and communities		
Contribute to the development of local social and economic conditions	- Integration of the current Vendor Qualification system to include social and labour rights - Implementation of the audit programme on themes of social and labour rights carried out on 17 vendors from India, China and Singapore - Support for local vendors to increase the quality of their products and services, including in relation to HSE requirements (Kazakhstan) - 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 (Peru, India, Italy, Venezuela, Angola, Colombia, Papua New Guinea) - Partnerships and associations with health organizations and institutions to improve local health conditions and combat endemic illnesses (Algeria, Venezuela, Kazakhstan, Congo, Angola, Nigeria) - Involvement of local vendors and subcontractors in sustainability initiatives targeted at host communities in Kazakhstan	- Continue the labour and human rights audit programme on vendors in critical area - Continue activities in support of the social and economic development of host communities and to maximize use of local resources - Continue actions to increase the share of local procurements on projects - Set up a Socio-Economic Impact Assessment for the new fabrication yard in Brazil and subsequently define an Action Plan
Environment		
Manage and minimize environmental impact in the life cycle of operations and improve environmental performance	- Environmental awareness campaigns on water saving and eco footprint - Programmes for the reuse of domestic waste-water currently underway in various areas of hydric stress, above all for reasons of irrigation of green areas or dust abatement (see, for example, the Qafco V-VI Project in Qatar, the Shah Development Project in the UAE and the Kuryk Yard - Ersai in Kazakhstan) - Improvement in the sharing of information and best practices between all operating companies - Completion of the GHG emission calculation method and receipt of certification therefor - Receipt of ISO 14001 certification for the E&C Business Unit and for activities in Integrated Projects (PRIN) - Launch of the new Corporate eNews environmental magazine targeted at employees	- Continue ongoing monitoring of environmental performance and impacts - Launch campaigns to increase sensitivity and awareness of the main environmental topics - Increase energy efficiency - Obtain ISO 14001 certification for all Corporate activities
Clients		
Improve the quality of services offered, including in relation to sustainability issues that are of interest to the Client	- Specific meetings held on sustainability with Clients in Congo, Nigeria and Kazakhstan	- Organize specific meetings with the main national and international Clients on sustainability issues and in particular on relations with local areas, with a view to sharing results, programmes and approaches - Ensure proactive consultation with Clients to supplement assessments of socio-economic impacts, in particular Local Content, within the scope of work of the project - Assess and map stakeholders in pilot projects (i.e. Suriname) - 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 classroom) on anti-corruption, Model 231 (Organization Management and Control Model) and the Code of Ethics - Training of members of the Compliance Committees of subsidiaries - Issuing by Saipem SpA of the ancillary procedures required under the 'Anti-corruption Compliance Guidelines' - Commencement by foreign subsidiaries of checks to ensure compliance of the Organization Management and Control Model with local legislation and subsequent gap analysis on sensitive activities and control standards in force in the companies themselves	- Update Saipem SpA's Model 231 to include the environmental crimes introduced by Italian Legislative Decree No. 231/2001 and by law No. 121 in 2011 - Update Saipem SpA's Model 231 to include the crimes introduced by Italian Legislative Decree No. 231/2001, by Law No. 94, by law No. 99 and by Law No. 116 in 2009 - Revise and update anti-corruption procedures - Provide training (e-learning and classroom) on anti-corruption legislation and practice, Model 231 and the Code of Ethics - Train members of the Compliance Committees of subsidiaries - Ensure that foreign subsidiaries commence checks to guarantee compliance of the Organization, 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 and Reporting Criteria

This Addendum is an integral part of Saipem's reporting and communication system for sustainability. It is one of a series of tools designed to disclose comprehensive and detailed information on the Company's sustainability performance to all stakeholders. It provides supplementary information to that covered by other sustainability instruments.

Communication Tools	Financial Stakeholders	Clients	Internal Stakeholders	Local Stakeholders
Saipem Sustainability 2011				
Addendum: Sustainability Performance				
Country & Project Case Studies				
Financial Statements 2011, Corporate Governance, Code of Ethics				
Annual leaflets, posters and internal newsletters				
Sustainability on the Web				

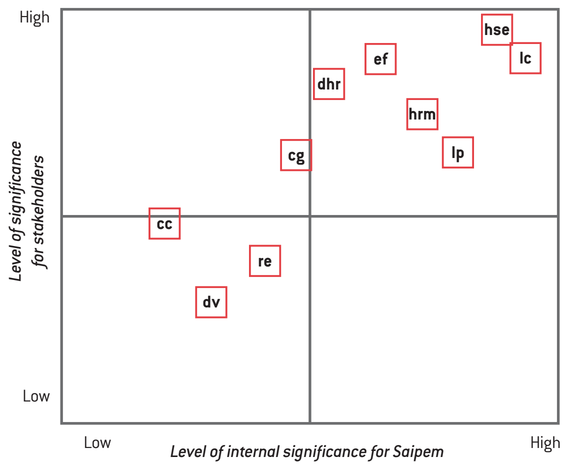
At the same time, however, and pursuant to the Guidelines of the Global Reporting Initiative, it acts as an Index for the entire sustainability communication and reporting system in order to facilitate readers in their search for any specific information they require.
The subjects and data dealt with herein are compliant with the Guidelines of the Global Reporting Initiative, version G3.0.

Materiality analysis and sustainability context

In 2011, a materiality analysis was conducted to identify the sustainability issues deemed most relevant both for the Company and its stakeholders.

The level of internal significance of the issues to be treated was set by the Sustainability Committee[1], with due regard for the Company's principles and values, its business strategy and objectives, as well as the skills and competitive factors for which it stands out in its market segment.

The level of external interest was surveyed by combining a sustainability benchmarking analysis of 45 of the Company's main Clients (majors and national oil companies, with contracts in force and/or likely to be signed in the future) with the results of the requests and interests that various stakeholders submitted to Saipem over the course of the reporting year. These were then assessed over against the results of a frequency analysis (how often and how many questions were asked on a specific theme) and a relevance analysis (in terms of the criticality and the weight given to the theme) with which the topics dealt with appear in the questionnaires of financial analysts and rating agencies (i.e. SAM, Vigeo, Eiris, Goldman Sachs, Accountability and La Financière Responsable).



Efficiency	ef	Defense of Human Rights	dhr
Health, Safety and Environment	hse	Human Resources Management	hrm
Responsibility	re	Diversity	dv
Climate Change	cc	Local Presence	lp
Corporate Governance	cg	Local Content	lc

(1) The Sustainability Committee is chaired by the Chief Executive Officer and consists of all Corporate function SVPs, the Deputy CEO, the Chief Operating Officers of the Business Units and the SVP of Integrated Projects.

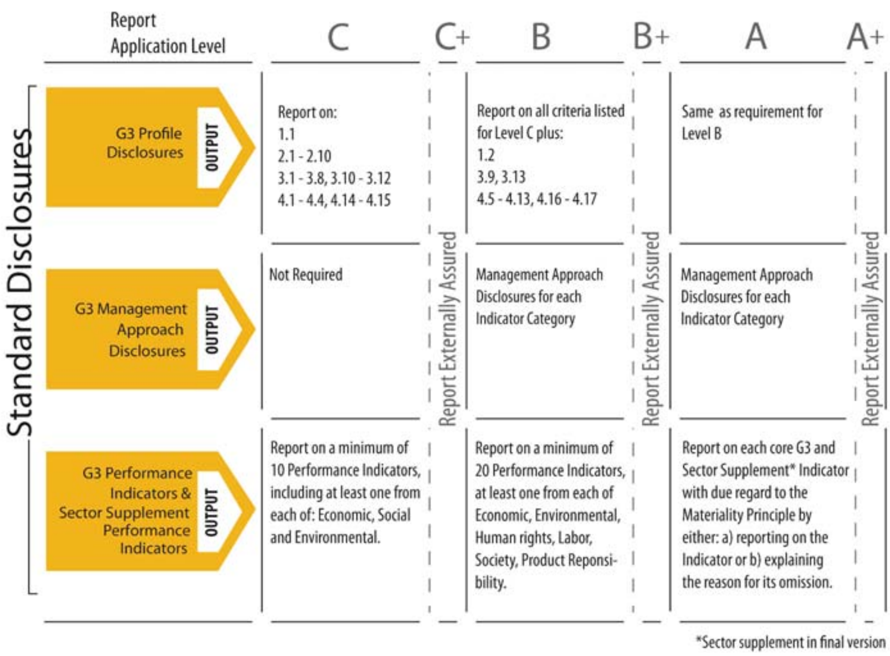
Benchmarking of Clients is based on information they make public in documents and on web sites, and on requests submitted to the Company during commercial phases (qualification questionnaires and contractual sustainability requirements). In order to simplify analysis and comparison of results, the themes were broken down into 10 macro categories. The materiality of topics is given by the nexus of the levels of internal significance and external interest.

Selection of the activities and programmes that would be reported in detail in relation to themes identified as 'material' was carried out with due consideration for the sustainability context in which Saipem operates. Greater weight was assigned to those issues and geographical areas in which the Company has a more significant impact. Where possible, the project performance indicators reported were contextualized with reference to detailed information on local conditions.

Consolidation perimeter and principles

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 Saipem, for the period 2009-2011 (if possible). This is to facilitate the reader's assessment of both the positive and negative performance trends over time. Information and indicators are processed pursuant to the Guidelines of the Global Reporting Initiative regarding the quality of reporting. Where possible, priority and significance are given to the quantitative measurement of performance. Given the technical complexity of the Company's business operations, the average level of knowledge of the implied reader of the document is borne in mine when qualitative information is reported, and the language and information are simplified accordingly to facilitate comprehension.
The consolidation perimeter basically corresponds to the one adopted for financial reporting.
Data for subsidiaries in which Saipem has less than a 100% shareholding are calculated according to the operational criterion, which is to say that the Company reports 100% of operations in which Saipem SpA or one of its subsidiaries exercises operational control.
For HSE data, intangible companies and subsidiaries that do not produce significant effects are not included in the reporting perimeter. Where expressly indicated, 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.
In keeping with the methodology adopted for financial reporting, financial data are reported on a proportional basis.
The methods used for calculating the indicators reported are described in the Appendix to this document.
Any exceptions to the above criteria are expressly indicated in the text, as are any changes made 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.
Data for the Company's performance reported in the document come from the management and reporting systems used by the various Company functions involved in the reporting process.
Almost all indicators are collected by means of dedicated applications for internal monitoring.
Reporting is subject to controls by the same independent auditor used for the consolidated financial statements, for this Addendum and for the document 'Saipem Sustainability 2011'.

For the present document, Saipem declares a Global Reporting Initiative (GRI) version G3.0 application level of B+.



Disclosure on Management Approach

The table below shows the Management Approach to sustainability issues pursuant to the Guidelines of the Global Reporting Initiative, version G3.0.

All documents mentioned are available on the Company website www.saipem.com.

Category	Topic	Document	Section title
Economic Performance	Saipem is an international contractor whose revenues in 2011 totalled €11 billion. The Company has in excess of 40,000 employees and is present in more than 130 countries, often on a medium- to long-term basis and in difficult or 'frontier' conditions. Integration with the local area is an important business strategy for Saipem and is assessed in terms of the potential impacts that need to be reduced to a minimum and the positive implications generated by its activities, mainly the use of local people and suppliers in a way that contributes to their social and economic development.		
	Management Method	AR	Letter to the Shareholders
		Saipem web site	Industrial model
		SS11	Chapter on Saipem's distinctive approach: Local Content
	Goals and performance	AR	Letter to the Shareholders; Operating Review; Financial and Economic Results
	Policy and other information	AR	Letter to the Shareholders
Environmental Performance	To supply excellent products and services is, for Saipem, consistent with the Company's commitment to environmental protection. Saipem has a well-structured and integrated HSE management system that ensures compliance with national and international legislation and regulations and with the conditions of contracts entered into with Clients. Alongside the HSE and Environmental Managers and their teams working in Corporate and in the main operating companies (where at least one HSE Manager and a HSE team are normally appointed), each operating project is specifically assigned an HSE team, often with an HSE or Environmental Manager. Reducing environmental impacts to a minimum is an objective found along the entire life cycle of a project, from engineering phase through to de-commissioning. Furthermore, technological innovation at the service of Company assets and the implementation of best practices on operating projects are targeted at constant improvement of the Company's environmental performance.		
	Management Method	SS11	Chapter on Health, Safety and Environment for a Sustainable Future
		Saipem web site	Sustainability section
		AR	QHSE section
	Goals and performance	SP	Key Sustainability Indicators
	Policy	Saipem web site	Sustainability section
	Organizational responsibility	Saipem web site	Sustainability section
	Training and awareness	SS11	Chapter on Health, Safety and Environment for a Sustainable Future
		AR	QHSE section
	Monitoring and follow-up	SP	Key Sustainability Indicators
		SS11	Chapter on Health, Safety and Environment for a Sustainable Future
Labour Practices and Indicators of Decent Working Conditions	Saipem believes that human capital is a key element for durable competitive success and that the constant development of skills plays a fundamental role in ensuring this. The human resources management system, which comprises tailor-made methods and tools for the recruitment, development, mapping, assessment and growth of employees, is applied throughout the Group, regardless of location, thus guaranteeing observance of and adaptability to the characteristics and peculiarities of individual situations. The workplace health and safety of all Saipem personnel is underscored by means of an integrated HSE management system combined with myriad management tools developed in this regard. 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.		
	Management Method	SS11	Chapter on Making People a Strategic Asset
		Saipem web site	Sustainability section
		AR	HR section
	Goals and performance	SP	Key Sustainability Indicators
	Policy	Saipem web site	Sustainability section
	Organizational responsibility	SS11	HSE Training in the Chapter on Health, Safety and Environment for a Sustainable Future; chapter on Making People a Strategic Asset
		Saipem web site	Sustainability section
	Training and awareness	SS11	Chapter on Making People a Strategic Asset
	Monitoring and follow-up	SP	Key Sustainability Indicators
		AR	HR section

Category	Topic	Document	Section title
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 guarantees equal treatment based on meritocracy and equal opportunities, without discrimination of any type. This is clearly expressed in the Code of Ethics in which Saipem undertakes to spread knowledge of Company values and principles, including by means of implementing suitable procedures of control and by protecting the specific rights of local populations.		
	Management Method	SS11	Chapter on Saipem's distinctive approach: Local Content
		CE	Business ethics
	Goals and performance	SP	Key Sustainability Indicators
	Policy	CE	Business ethics
		Saipem web site	
	Organizational responsibility	AR	Managing reports; Security practices
		CE	Business ethics
	Training and awareness	SP	Key Sustainability Indicators
	Monitoring and follow-up	SP	Key Sustainability Indicators
Social Performance	Saipem is committed to contributing to the long-term social and economic development of the areas in which its business is located. This result is mainly pursued through the employment of local personnel, the transfer of know-how (technical and non-technical) and procurement of goods and services from local vendors. With a view to mitigating impacts on local populations and areas, Saipem has implemented a tool known as the Social Impact Assessment to identify, by way of a structured process, areas requiring intervention and lines of action. As regards local presence, a process for identifying the main stakeholders, as well as the means for involving them in a way conducive to constructive and ongoing dialogue, has been introduced.		
	Management Method	Saipem web site	
		SS11	Chapter on On-the-Ground Presence
		CGR	Section on Transparency and section on Anti-Corruption Practices
	Goals and performance	SP	Key Sustainability Indicators
	Policy	Saipem web site	
	Organizational responsibility	CGR	Section on Transparency and section on Anti-Corruption Practices
	Training and awareness	AR	HR section
	Monitoring and follow-up	SP	Key Sustainability Indicators
Product Responsibility	Customer satisfaction is a key factor in Saipem's long-term strategy. Quality and HSE management systems have been implemented on each project to obtain maximum levels of health, safety and quality in both products and services and to improve them constantly. Pursuant to Corporate Quality Policy, all operating companies in Saipem have implemented a Quality Management System in accordance with ISO 9001, Corporate guidelines and relevant standards.		
	Management Method	Saipem web site	
		SS11	Chapter on Health, Safety and Environment for a Sustainable Future
		SS11	Chapter on Efficiency for Sustainable Business
	Goals and performance	SS11	Chapter on Health, Safety and Environment for a Sustainable Future
	Policy	Saipem web site	
	Organizational responsibility	Saipem web site	
	Training and awareness	SS11	Chapter on Health, Safety and Environment for a Sustainable Future
	Monitoring and follow-up	SS11	Chapter on Health, Safety and Environment for a Sustainable Future

Acronyms:
AR: 2011 Annual Report
SS11: Saipem Sustainability 2011
SP: Addendum to Sustainability Performance
CE: Code of Ethics
CGR: Corporate Governance and Shareholding Structure Report 2011

Governance, Commitments and 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 best international practices and is suited to the complexity of the Company's make-up.

Below is given a brief description of the Company's governance structure. Further details are available in the document 'Corporate Governance Report and Shareholding Structure 2011', which is available in the Governance section of the Company web site.

Ref. GRI	Governance
4.1-4.2-4.3	Saipem's organizational structure is characterized 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 the External Auditors are in charge of the legal auditing of accounts. The Shareholders' Meeting manifests the will of and binds the Shareholders, through resolutions adopted in compliance with the law and the Company's Articles of Association. The Board of Directors is made up of 9 members, of whom 7 non-executive, 5 independent non-executive and 2 executive. The Board was appointed by the Shareholders' Meeting of May 4, 2011. In turn, the Board of Directors appointed the Chairman, the Deputy Chairman - CEO (Chief Executive Officer) (to whom the Chief Operating Officers (COO) in charge of the various Business Units report), and a Managing Director for Business Support and Transversal Activities (Deputy CEO).Together with those Directors holding powers of attorney (see Article 26 of the Articles of Association), the Chairman, who has no executive role, represents the Company pursuant to Article 21 of the Articles of Association. Two committees with advisory and consulting functions have been set up within the Board of Directors. These are the Audit Committee (now the Audit and Risk Committee) consisting of independent non-executive members, and the Compensation Committee (now the Compensation and Nomination Committee), made up of non-executive Directors, the majority of whom are independent. In addition to the exclusive powers granted to it by Article 2381 of the Italian Civil Code, the Board of Directors is responsible for defining the strategic guidelines and targets of both the Company and the Group, including their Sustainability policies. [Ref. CGR 2011 - 'Organizational Structure'; 'Management and Control Bodies and their Committees'; 'Responsibilities and Powers of the Board of Directors'; 'Composition'; 'Cumulation of Offices'; 'Independent Directors'; 'Committees within the Board of Directors']
4.4	Saipem employees have numerous dedicated channels of communication at their disposal. These include: - the intranet portal, to which all employees have free access. This provides constant information on such themes as business, training and industrial relations, as well as technical sections for the sharing of documents, procedures and best practices; -the quarterly in-house magazine 'Orizzonti', which has a circulation of 15,000 and is also available online. The publication contains articles on significant operational issues and projects; -a large number of newsletters and magazines run by the operating companies and focusing on themes of interest in local areas. 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.). 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 web site or can be requested via email at 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 Chairman of the Board of Statutory Auditors is appointed from among the auditors elected by the minority. More generally, information is guaranteed by means of ample documentation made available to investors, the market and the press on the Saipem web site. It is further ensured by means of press releases, periodical meetings with institutional investors, the financial community and the press. [Ref. CGR 2011 - 'Board of Statutory Auditors'; web site www.saipem.com- Investor Relations]
4.5	The remuneration of the Deputy Chairman - CEO, and the Managing Director for Business Support and Transversal Activities - Deputy CEO, as well as that 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 (further broken down in 2011 into an injury frequency rate, a zero accidents policy and audits on vendors carried out within in the framework of compliance with standard SA8000). [Ref. CGR 2011 - 'Remuneration Report']
4.6	The Saipem procedure 'Operations Involving Interests of Directors and Auditors and Operations 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 by the Board of Directors in 2010 and became effective as of January 1, 2011. [Ref. CGR 2011 - 'Operations Involving Interests of Directors and Auditors and Operations with Related Parties']
4.7	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, once again this year the Board of Directors carried out a Board Review on the size, composition and level of functioning and efficiency of the Board and its Committees. To this end, it availed of the assistance of a specialist external consultant. The analysis showed that there are specific areas of excellence, such as, among others, the increased knowledge, on part of the Directors, of the Company's operations, gained from presentations given by the heads of BUs at Board meetings and visits to operational sites, as well as the special attention paid to the themes of 'health and safety' and 'risk analysis'. [Ref. CGR 2011 - 'Board of Directors'; 'Board Review'; 'Composition']
4.8	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 characterize the conduct of the entire organization. In compliance with the provisions of law, the Code of Ethics clearly defines the values that Saipem recognizes, accepts and shares, as well as the responsibilities the Company assumes both internally and externally. The 'Team for Promoting the Code of Ethics' is a specific body appointed to promote knowledge of Saipem's Code of Ethics and to facilitate its implementation. Saipem applies the OECD (Organization for Economic Co-operation and Development) Guidelines for Multinational Enterprises. The Company further observes the universally recognized core labour standards contained in the Fundamental Conventions of ILO (International Labour Organization), repudiates any form of forced or juvenile labour and/or discrimination and ensures ever-improving health and safety standards for its employees and the communities in which it works. Saipem's business conduct is inspired by the respect it affords to each and every difference encountered in the communities where it operates. The Company is further committed to preserving the biological, environmental, social, cultural and economic identities of these communities and to promoting their quality of life as well as their social and economic development. 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'. 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. Further details of their application in specific operational contests are supplied in the document 'Saipem Sustainability 2011'. [Ref. CGR 2011 - 'Issuer Profile'; 'Saipem Sustainability 2011']

4.9	The Board of Directors verifies the achievement of targets during the four-monthly Business Reviews and, on a yearly basis, approves the Strategic Plan which, alongside specifically economic and financial themes, includes objectives related to the social and environmental aspects of the business. The main risks referable to the HSE area are identified, monitored and managed by Saipem through an Integrated HSE Management System based on a yearly planning, implementation and control plan, a review of results and the 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 maximizing 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. The Chairman, the Deputy Chairman - CEO and the Managing Director - Deputy CEO, are informed on a monthly basis of social performance. Every four months, the Sustainability Committee, of which the Deputy Chairman-CEO and the Managing Director-Deputy CEO are members, is presented with the main performance results and activities underway as regards relations with the local communities. The Committee then supplies guidelines and approves the activity plan and 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. [Ref. AR 2011 - 'Risk Management', 'Sustainability'; CGR 2011 - 'Risk and Internal Control Management System in Relation to the Financial Reporting Process']
4.10	In accordance with the best international 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. [Ref. CGR 2011 - 'Board Review']

Ref. GRI	Commitment in external initiatives
4.11	Saipem identifies, monitors and actively manages project related risk mainly in relation to engineering and construction contracts, both in bid and executive phases, and projects involving company assets. The Risk and Opportunity and Knowledge Management department (ROKM) ensures periodical reporting to management on the main 'project risks' and trends observed, aggregated both by Business Unit and globally. It also provides support in the implementation of mitigation and improvement measures for the management of risk areas and the optimization of any opportunities identified. ROKM further promotes observance of the Golden Rules & Silver Guidelines, a tool adopted by Saipem to regulate the taking on of risk and through which the Company assigns responsibility to the appropriate management levels in relation to decisions to be taken regarding the most significant assumptions thereof. [Ref. AR 2011 - 'Risk Management']
4.12	Saipem operates in the reference framework of the Universal Declaration of Human Rights adopted by the United Nations, the Fundamental Conventions of the ILO (International Labour Organization) and the OECD Guidelines for Multinational Enterprises. [Ref. Code of Ethics]
4.13	Saipem participates in numerous initiatives and associations that have as their main objective the sharing of best practices within their specific business sectors. The following are among the 32 associations to which Saipem belongs: ANIMP (Associazione Nazionale di Impiantistica Industriale - Italian Association of Industrial Plant engineering), CEI (Comitato Elettrotecnico Italiano - Italian Electrotechnical Committee), IADC (International Association of Drilling Contractors), IMCA (International Maritime Contractors Association), IPLOCA (International Pipeline & Offshore Contractors Association), UNI (Ente Nazionale Italiano di Unificazione - Italian Organization for Standardization), SGI (Società Geologica Italiana - Italian Geological Society). Some operating companies are members of the 'Ship Owners and Marine Industry Ventures Association' and of BIP (Brazilian Institute of Petroleum and Gas). In total, the Saipem Group takes part in 42 associations.

Stakeholder relations Ref. GRI 4.14-4.17

Stakeholders	Main stakeholder involvement initiatives in 2011
Financial stakeholders	
Financial analysts and rating agencies	Periodical reporting of results and illustration of objectives and outcomes. Updating of the web document 'Key of interpretation of Saipem website and published documents'. Drafting of disclosure as requested by VIGEO, the Financière Responsable and EIRIS.
Shareholders	Road Show, communications with the Secretariat function, conferences for international investors, updating of the dedicated web section.
Clients	Participation, in the capacity of speaker, at the London Conference of September 2011 on 'Local Content', with the attendance of Clients such as ExxonMobil, Chevron, Petrobras, Shell, etc. In Congo, presentation on sustainability issues for the Client Total Congo (June 2011), meeting with Eni Congo and Total Congo (December 2011). In Nigeria, presentation by the CEO of Saipem to the President of Nigeria on sustainability and Local Content. In Kazakhstan, meeting with Agip KCO and with DAEWOO (July 2011). In Indonesia, grand opening of the new Karimun Yard with the participation of the entire Saipem Board and 33 Clients and potential partners. Constant reporting on operating projects: Project Managers and project staff hold interviews and meetings and reply to the requests of the Client, often present on-site in day-to-day operations. At the end of each significant project, and on an annual basis, the Client is asked for feedback using the Customer Satisfaction tool. Disclosure in the pre-qualification and bid phases for new contracts.
Local authorities and institutions	Agreements and cooperation with Italian universities on a Master's course on HSE topics. Ongoing cooperation with Algerian universities on HSE Master's programmes. Cooperation with local authorities and universities to maximize the employment and training of local personnel.
Employees and trade unions	
Employees	Training on sustainability in Saipem's business by means of two sessions for new employees and five sessions within the HSE management training programme. Workshop organized in Paris on sustainability and results of the SELCE model analysis. Two workshops for the internal network of sustainability Facilitators for operating companies in West Africa, Indonesia, China and Algeria.
Trade unions	Collective bargaining and communications with trade unions on specific local actions and meetings with workers' representatives.
Subcontractors and vendors	Involvement of local vendors (36 Nigerian, 23 Algerian, 23 Kazakh, 24 Indonesian) in the quali-quantitative survey for application of the SELCE model. Audit of 17 Chinese and Indian vendors on workers' rights issues.
Local Communities	Various initiatives and development programmes held during the year for the host communities, often in association with local organizations and representatives, as illustrated in the document 'Saipem Sustainability 2011'. Activities in association with local schools and universities (Algeria, Azerbaijan, Nigeria, Indonesia, Peru, Venezuela).

Key Sustainability Indicators

In compliance with the 'Sustainability Reporting Guidelines' of the Global Reporting Initiatives (GRI), the following table shows the core indicators. Additional indicators are given only when linked with a report. When indicators are not applicable or not significant in relation to Company business, explanations therefor are supplied.
The reference documents for additional information are available on the web site www.saipem.com.

Area	GRI Code	GRI Description	Saipem Performance Indicator
Economic Performance	EC1	Direct economic value generated and distributed	Employee payroll and benefits
			Research and development costs
			Expenses for local initiatives
			Dividend distribution
			Operating expenses
			Net sales from operations
			Income taxes
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Saipem adopts a risk management system that includes environmental and country risks which are identified, monitored and tackled.
	EC3	Coverage of the organization's defined benefit plan obligations	Seniority bonus schemes
			Pension schemes are designed and implemented by the individual companies of the Saipem Group according to law and trade union agreements. In Italy, worker participation in supplementary pension schemes is optional. Within the framework of the pension reform, much space was given over to sector related supplementary pension funds such as Fondenergia (for workers to whom the national energy and oil contract is applicable) and Cometa (for workers to whom the national metalworkers' contract in the plant and installation industry is applicable), the two national agreements currently applied by Saipem in Italy. Adhesion by workers is high at around 70% of overall staff in both sectors. Other similar schemes are widespread in Saipem, mainly in the larger foreign companies and in those countries where there is a greater presence of Saipem Group workers.
	EC4	Significant financial assistance received from governments	At Corporate level, no significant financings from central governments have been granted. At local level, any tax relief conceded is part of agreements signed with each country and is confidential due to its strategic and competitive relevance.
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Percentage of project based orders placed with local vendors.
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Local employees
			% local managers
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Costs for local interventions were as follows:
			Socio-economic development and local content
			Infrastructure development
			Community health
			Professional training
			Environment
			Training and education
			Culture
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Saipem has adopted a tool for assessing the positive effects generated on local areas by its strategy of maximizing 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.

Unit of M.ent	2009	2010	2011	Additional Information
mln euro	1,483	1,627	1,750	
mln euro	17	12	12	
mln euro	-	1.0	1.9	
mln euro	239	263	319	
mln euro	7,680	8,231	9,388	
mln euro	10,292	11,160	12,593	
mln euro	288	345	392	
				Further details are available in the 2011 Annual Report in the section 'Risk Management'.
mln euro	3,055	3,608	3,867	Further information on employee benefits and seniority bonuses is available in the appropriate chapters of the 2011 Annual Report.
%	-	61.3	56.4	With reference to the Code of Ethics, Saipem undertakes to contribute to the socio-economic development of the communities in which it operates, using local businesses as far as possible. In 2011, out of a total of € 8,741 million in orders, excluding € 2,233 million for investments in Company assets and staff costs, € 3,668 million were from local vendors.
No.	29,423	31,761	33,688	Optimizing Local Content is a cornerstone of Saipem's sustainability strategy. Further details are available in the Human Resources section of the 2011 Annual Report, in the Sustainability section of the web site, and in the document 'Saipem Sustainability 2011'.
%	-	48.4	46.1	
mln euro	-	0.375	1.245	Saipem has internal procedures and tools for defining, implementing and monitoring initiatives for host communities. Initiatives are based on an analysis of local stakeholders and their expectations and are normally implemented or coordinated by Saipem operating companies, often in cooperation with local bodies. Further analysis and details on initiatives implemented in 2011 are available in the document 'Saipem Sustainability 2011'.
mln euro	-	0.252	-	
mln euro	-	0.087	0.143	
mln euro	-	0.186	0.115	
mln euro	-	0.025	0.082	
mln euro	-	0.069	0.213	
mln euro	-	0.047	0.100	
				Further analysis and details of the SELCE model and results for operating areas in which it was applied during 2011 are available in the document 'Saipem Sustainability 2011'.

Area	GRI Code	GRI Description	Saipem Performance Indicator
Environmental performance	EN1	Materials used by weight or volume	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.
	EN2	Percentage of materials used that are recycled input material	This indicator is not applicable, for the reasons given in the previous indicator.
	EN3	Direct energy consumption by primary energy source	Natural Gas
			Heavy Fuel Oil (HFO)
			Intermediate Fuel Oil (IFO)
			Light Fuel Oil (LFO)
			Diesel
			Diesel Marine Oil
			Gasoline
	EN4	Indirect energy consumption by primary energy source	Electricity
	EN5	Energy saved due to conservation and efficiency improvements	This indicator is not covered quantitatively. It should be noted, however, that there has been an increasing commitment to energy saving at Corporate level, which includes the launching of several initiatives in this regard.
	EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Electricity produced from renewable sources
	EN8	Total water withdrawal by source	Total water withdrawal
			Fresh water/from waterworks
			Water from aquifers
			Water from above-ground waterways
			Sea water
	EN9	Water sources significantly affected by withdrawal of water	Saipem works in areas where hydric stress conditions differ considerably. Water consumption is one of the environmental features assessed during both preparation phase and in the execution of projects, temporary and permanent offices. Although the consumption of fresh water is normally quite limited, when water consumption is considered significant and the area particularly sensitive, special mitigation measures are implemented to limit impact. In areas with hydric stress, the reuse of water is strongly encouraged and is normally achieved by installing treatment systems that facilitate reuse for purposes of irrigation and dust abatement in site areas.
	EN10	Percentage and total volume of water recycled and reused	Volume and percentage of water reused and/or recycled
	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Saipem operates for the most part in areas owned and run by the Client. In the case of areas owned, mainly fabrication yards, Saipem has implemented an impact monitoring system in relation to its own activities, including any possible effects on the biodiversity of the surrounding areas.

Unit of M.ent	2009	2010	2011	Additional Information
km^3	6,322.0	1,413.5	1,245.2	
kt	11.6	0.4	6.1	
kt	-	9.3	21.9	Energy consumption includes the activity of subcontractors who have operated on Saipem sites and have been supplied with fuel directly by the Company.
kt	34.0	11.8	6.9	
kt	355.3	256.5	314.1	
kt	-	90.0	102.6	
kt	4.9	6.1	5.6	
GWh	240.0	83.9	242.8	
				Various awareness-raising initiatives have been implemented to promote environmentally respectful behaviours among employees, for example by placing energy saving posters and stickers in offices and by starting up a pilot project in San Donato Milanese (Italy) on saving energy consumed by PCs. Again in 2011 the shut-down all diesel generators from the Kuryk base in Kazakhstan was completed, and the base is now supplied from the public grid. However, the generators remain on stand-by in the event of emergency. Further details are available in the document 'Saipem Sustainability 2011'.
MWh	-	-	297.3	
km^3	5,467.1	6,561.6	7,234.8	
km^3	2,701.8	2,502.4	2,570.8	
km^3	2,276.1	3,607.0	3,938.8	
km^3	83.2	81.9	86.6	
km^3	406.0	370.3	638.5	
				In 2011 the 'Save and Reuse Water' campaign was launched to promote water saving behaviour and practice. Further details are available in the document 'Saipem Sustainability 2011'. The document 'Saipem Sustainability 2010', which is available on the Saipem web site, also includes specific sections on this theme.
km^3	-	-	303.9	
%	-	-	4.2	

Area	GRI Code	GRI Description	Saipem Performance Indicator
Environmental performance	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Due to the type of business it conducts, Saipem can find itself operating in protected areas or areas of high biodiversity, both onshore and offshore. As a contractor, Saipem works on projects and in areas for which the Client normally supplies an Environmental Impact Assessment. Contrarily, or when conditions make it necessary, Saipem carries out environmental impact studies that include a systematic assessment of the effects on biodiversity, with the purpose of evaluating and implementing specific, project-based compensatory solutions to maintain the original environment.
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	While not yet having defined any strategies and actions at Group level, Saipem is sensitive to the theme of biodiversity 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.
	EN16	Total direct and indirect greenhouse gas emissions by weight	Direct GHG emissions
			Indirect GHG emissions (scope 2)
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Saipem is working to improve its direct emissions monitoring system with a view to implementing appropriate initiatives and to improving and broadening its assessment of the effects of its reduction measures, which is currently limited to specific operating projects. The new 'Emissions Estimation Manual' supplies a complete, coherent and transparent method for estimating the quantities of specific polluting substances emitted into the atmosphere. The approach used derives from a combination of information on the magnitude and type of human activity considered (in Saipem these are the consumption of fuel and electricity), with coefficients called Emission Factors (EF). The Manual was updated in 2011 and certified by Bureau Veritas.
	EN19	Emission of ozone-depleting substances by weight	Saipem does not yet have precise data on the quantities of ozone damaging substances in use. However, use of substances which can damage the ozone is considered an environmental issue that needs to be kept under control, in as much as such substances are not used in the productive cycle, but rather for refrigerators and air conditioners. Use and monitoring thereof is in compliance with the law. A programme for replacing these substances in all Italian offices that use them is currently under way.
	EN20	NO_x, SO_x, and other significant air emissions by type and weight	Direct SO_2 emissions
			Direct NO_x emissions
			Direct CO emissions
	EN21	Total water discharge by quality and destination	Total water discharged
	EN22	Total weight of waste by type and disposal method	Total waste produced, of which:
			Hazardous
			Non Hazardous
			Recycled
			Dumped in landfill sites
			Incinerated
	EN23	Total number and volume of significant spills	Total number spills, of which:
			spills of chemical substances
			spills of oily substances
			volumes of substances spilled

Unit of M.ent	2009	2010	2011	Additional Information
				The document 'Saipem Sustainability 2011' provides details on the Offshore LNG Toscana (OLT) project. This is a floating storage and regasification unit (FSRU) which will be permanently anchored offshore Livorno (Italy). The area in question is populated by protected marine species and is near a National Park, all of which determined the need to monitor and reimplant Posidonia in an area of 2.25 m^2.
				In 2011 specific measures were applied on projects in Italy, Algeria and Australia, as described in the document 'Saipem Sustainability 2011'.
kt	-	-	1,320.9	The project 'I turn my engine off when parked' is a case in point. It was implemented in Kazakhstan with a view to increasing environmental awareness and reducing unnecessary emissions into the atmosphere by means of practical suggestions to protect the environment and avoid wasting resources. Further details are available in the document 'Saipem Sustainability 2011'.
$ktCO_2eq$	-	-	120.1	
				The project 'I turn my engine off when parked' is a case in point. Implemented in Kazakhstan, it seeks to raise environmental awareness and provides practical suggestions for protecting the environment and avoiding the waste of resources. Further details are available in the document 'Saipem Sustainability 2011'.
kt	2.7	3.3	4.0	
kt	20.1	19.0	22.4	
kt	8.7	9.6	9.0	
km^3	48,513.6	2,618.6	1,642.3	Data on water discharged in 2009 includes ballast water from fleet vessels. A focus on the 'Zero Discharge' project in Kazakhstan, thanks to which no type of water is discharged any longer into the Caspian Sea, is available in the document 'Saipem Sustainability 2011'.
kt	186.8	209.2	200.1	Further details on initiatives implemented during the year (for example, paper and cardboard recycling in Qatar) are available in the document 'Saipem Sustainability 2011'.
kt	23.6	20.0	31.0	
kt	163.2	189.2	169.2	
kt	13.6	19.0	27.5	
kt	165.4	177.5	157.1	
kt	5.9	10.0	15.6	
No.	99	55	94	The data given for volumes of substances spilled in 2010 is partial, since monitoring of the indicator for all significant operations became functional only from 2011.
No.	5	4	14	
No.	94	51	80	
bbl	-	459.93	4,128.89	

Area	GRI Code	GRI Description	Saipem Performance Indicator
Environmental performance	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Each onshore site has signed an agreement with a local waste management company assessed for its professionalism and correctness before the contract is awarded. Waste is treated and disposed of locally. No cases of waste being transported abroad have been recorded.
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	As a contractor operating in the Oil & Gas industry, from a contractual perspective Saipem does not accept responsibility for the products and services supplied, since these are defined and managed by the Client. However, Saipem adopts all measures necessary to safeguard the environment during the execution of works carried out using its personnel and equipment and during operations over which it has operational control.
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Not relevant. Products and services sold by Saipem do not require packaging.
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	In 2011 Saipem did not receive any significant fine and/or non-monetary sanction for non-compliance with environmental laws and regulations.
	EN30	Total environmental protection expenditures and investments by type	As a contractor, since 2011 Saipem has accounted for expenses and investments solely in relation to its own activities and assets, and not for those related to the scope of work of a project, which, rather, are part of overall project costs and are reimbursed by the Client.
			HSE investments
			HSE expenses, of which:
			expenses for integrated HSE management
			expenses for the environment
Employment	LA1	Total workforce by employment type, employment contract, and region	Total employees at year end, of which:
			Senior Managers
			Middle Managers
			White Collar
			Blue Collar
			Employees in non EU countries
			Employees on permanent contracts
	LA2	Total number and rate of employee turnover by age group, gender, and region	Total hirings, of which:
			Men
			Women
			Employment of personnel under 30 years of age
			Employment of personnel aged between 30 and 50
			Employment of personnel over 50 years of age
			Termination of employment of critical resources
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	With reference to Italy, benefits offered to workers with part-time and/or fixed-term contracts do not differ from those given to workers with full-time and/or open-ended contracts.
Industrial relations	LA4	Employees covered by collective bargaining agreements	Out of 36,544 employees monitored in 2011, 20,152 were covered by collective bargaining agreements.
	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	The minimum period of notification for operational changes differs from country to country, and in any case is in line with laws and trade union agreements in force in the individual countries in which Saipem operates. As regards project management, it should be noted that the duration of operations is specified in the contract itself. For organizational changes that affect the Company's set-up, Saipem ensures timely and prior notice to the trade union representatives in order to share Company choices and inform workers in a widespread manner.

Unit of M.ent	2009	2010	2011	Additional Information
				Many examples of projects in which Saipem was involved in 2011 are given in the document 'Saipem Sustainability 2011' in the chapter on safeguarding the environment. These include, for example, the OLT project in Italy and the Nord Stream project in the Baltic Sea.
k€	-	-	19,453	
M€	-	-	98.1	
M€	-	-	31.7	
M€	-	-	2.7	
No.	38,052	41,174	44,232	Further details on employment are supplied in the 'People' section of this document and in 'Saipem Sustainability 2011'.
No.	381	431	441	
No.	4,186	4,608	4,696	
No.	16,362	18,413	20,382	
No.	17,123	17,722	18,713	
No.	29,461	30,611	33,822	
No.	-	-	17,679	
No.	-	-	7,828	
No.	-	-	6,985	
No.	-	-	843	
No.	-	-	3,520	
No.	-	-	3,813	
No.	-	-	495	
No.	-	2,369	2,918	
%	-	65.64	55.14	

Area	GRI Code	GRI Description	Saipem Performance Indicator
Workplace Health and Safety	LA6	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advice on occupational health and safety programmes	All operating companies organize periodical HSE meetings in which employees and managers take part. These are specifically targeted at analysing potential risk situations for worker health and safety and at outlining appropriate procedures and actions to mitigate them.
			Number of HSE meetings held
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region	Man-hours worked
			Fatal accidents
			Lost Time Injuries
			Days lost
			Total Recordable Incidents
			LTI Frequency Rate
			TRI Frequency Rate
	LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	HSE Training Protocol
			Tool Box Talks
	LA9	Health and safety topics covered in formal agreements with trade unions	The promotion of health and safety is also supported by national and Company level agreements. These are shared with trade unions and determine the methods for managing the health and safety of workers, particularly in relation to: - setting up workers H&S committees (composition and number); - compulsory use of personal protection equipment; - special training plans for H&S officers (Company and worker representatives) and widespread diffusion of information on H&S themes to all employees; - periodical meetings between the Company and workers' representatives. In Italy, workplace health, safety and environment are regulated by specific contract clauses and by the national labour contract. 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, Saipem has partially linked the payment of bonuses not just to profitability and productivity indicators, but also to health and safety objectives.
Training and Education	LA10	Average hours of training per year per employee by employee category	Training hours
			Participation by job category:
			Blue Collar
			White Collar
			Middle Managers
			Senior Managers
	LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Number of employees undergoing skills assessment
	LA12	Percentage of employees receiving regular performance and career development reviews	Number of employees undergoing performance assessment

Unit of M.ent	2009	2010	2011	Additional Information
No.	36,463	31,283	41,757	
mln h	231.83	280.98	329.54	The LTIFR and TRIFR values have been calculated on the basis of 1,000,000 hours worked, in compliance with the standards applied internationally in the industry.
No.	2	6	6	
No.	111	105	96	
No.	3,835	4,196	4,447	
No.	-	480	427	
	0.48	0.40	0.31	
	1.93	1.71	1.30	
No. h	861,623	924,267	1,187,820	Various initiatives implemented in 2011 are described in the document 'Saipem Sustainability 2011'. These include anti-malaria programmes both for employees and local populations, as well as prevention campaigns for diseases such as diabetes, tuberculosis and heart disease. HSE training initiatives for employees are detailed in the document 'Saipem Sustainability 2011'.
No.	374,606	482,929	585,957	
h	-	-	1,809,753	
No.	-	-	34,867	Division of training hours by employee category is done on the basis of estimations of average participation in training initiatives. A more detailed monitoring system is currently being implemented.
No.	-	-	37,597	
No.	-	-	6,449	
No.	-	-	1,241	
No.	-	-	761	
No.	-	-	17,220	

Area	GRI Code	GRI Description	Saipem Performance Indicator
Diversity and Equal Opportunities	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Female employment
			Employment of women by age band:
			Women under 30 years of age
			Women aged between 30 and 50
			Women over 50 years of age
			Number of local employees holding management positions
			Number of nationalities represented in the employee population
	LA14	Ratio of basic salary of men to women by employee category	Ratio of basic salary of women to men, by employee category:
			Senior Manager and Middle Manager
			White Collar
			Blue Collar
Employment	LA15*	Return to work and retention rates after parental leave, by gender	Saipem prioritises the retention of qualified personnel, and recognizes in maternity, paternity and training leave a vital element of support in this regard. Workers enjoy leave periods according to the law and to local trade union agreements. For this reason, employees, independent of their gender, return to work in positions that safeguard the professionalism acquired, the pay in force at the moment of the return to work and participation in the professional growth programmes planned by the Company. With reference to Italy and to 2011, no employment contracts were terminated at the end of the leave periods requested.
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include Human Rights clauses or that have undergone Human Rights screening	Vendors supplying Saipem must read and accept in its totality the Company's Model 231 comprising the Code of Ethics, which is founded on the principles of the UN Universal Declaration of Human Rights, the Fundamental Principles of the International Labour Organization and the OECD Guidelines for Multinational Enterprises. Model 231 is included in all standard contracts issued by Saipem. Acceptance of an order implies acceptance of Saipem's Code of Ethics, which remains in force for the totality of orders.
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	A vital element in the qualification of local (and non local) vendors is the Vendor Declaration, in which vendors undertake to act in compliance with the principles set out in Saipem's Code of Ethics, to respect human rights in conformity with the Company's Sustainability Policy, to agree to sign requests in accordance with national laws in force and to fulfil all obligations in terms of wages, social welfare and tax payments of employees.
			Suppliers who underwent auditing on ILO and SA8000 principles
	HR3	Total hours of employee training on policies and procedures concerning aspects of Human Rights that are relevant to operations, including the percentage of employees trained	Employees trained in the contents of the Code of Ethics, of which:
			via workshops
			via e-learning
			Training hours spent on the contents of the Code of Ethics, of which:
			via workshops
			via e-learning
Non-discrimination	HR4	Total number of incidents of discrimination and actions taken	Reports of discrimination
			- of which founded or partially founded
			- of which still open

(*) The indicator refers to version G3.1 of the GRI guidelines.

Unit of M.ent	2009	2010	2011	Additional Information
No.	4,186	4,439	4,911	
No.	-	-	538	
No.	-	-	279	
No.	-	-	26	
No.	-	-	925	
No.	-	-	119	
%	-	-	91	Unlike other employee indicators, for the basic pay indicator the employees are divided up using the Hay Job Evaluation System.
%	-	-	92	
%	-	-	92	
				Further details on the inclusion of social and labour rights requirements in compliance with the ILO's 'Fundamental Principles and Rights at Work' and with standard SA800, as well as on the pilot programme for audits on vendors deemed most at risk in terms of noncompliance, are available in the document 'Saipem Sustainability 2011'.
No.	-	-	14	
No.	-	-	480	
No.	-	-	291	
No.	-	-	189	
No.	-	-	5,896	
No.	-	-	3,628	
No.	-	-	2,268	
No.	-	-	3	Reports received are handled according to the methods described in the procedure 'Reports of Misdemeanours Received by Saipem and Subsidiaries'.
No.	-	-	-	
No.	-	-	1	

Area	GRI Code	GRI Description	Saipem Performance Indicator
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	All vendors must read and accept in its totality the Company's Model 231 comprising the Code of Ethics, which is founded on the principles of the UN Universal Declaration of Human Rights, the Fundamental Principles of the International Labour Organization and the OECD Guidelines for Multinational Enterprises. Furthermore, in 2011 Saipem integrated its vendor assessment process with a view to evaluating the Social Responsibility of its supply chain. The current vendor qualification system has been supplemented with requirements concerning respect for social and labour rights, in compliance with the 'Fundamental Principles and Rights at Work' of the International Labour Organization (ILO), as well as with standard SA8000, with a focus on the following main aspects: child and forced labour, freedom of association and right to collective bargaining, remuneration, working hours, discrimination and disciplinary practices, health and safety. A programme of specific audits was implemented, beginning with Chinese and Indian vendors who are deemed most at risk in terms of non-compliance.
Child Labour	HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	
Forced and Compulsory Labour	HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of Human Rights that are relevant to operations	In 2010 Saipem introduced clauses on the respect for human rights into its contracts with security companies. Failure to comply with these leads to termination of the contract. Personnel destined for work abroad normally undergo training before departure.
			Percentage of security contracts containing clauses on human rights
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	No reports have been received on this issue.
Assessment	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	For all new operational projects on which Saipem is in charge of security, prior to presenting a possible bid a Security Risk Assessment is carried out on the country in question. If it is decided to proceed with the bid, a Project Security Execution Plan is then drafted. The security risk linked with operations and with the context is analysed, including issues in connection with the violation of human rights. On the basis of the risks identified, the actions needed both to manage and reduce these to a minimum are decided upon.
			Security Assessments carried out during the year
Corrective Actions	HR11*	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	Reports filed in relation to workers' rights, of which:
			- founded or partially founded
			- still open
Local Communities	S1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	As a contractor, Saipem is not responsible for the impacts of the product requested by the Client. In the management of operational projects, often it is the Client who supplies a Socio-Economic Impact Assessment with which Saipem must comply. Furthermore, in many cases the Client holds on to the sole direct contract with the host communities. In other cases, Saipem adopts all the measures necessary to assess the potential impacts of its activities and the measures needed to mitigate these, as well as specific activities and projects targeted at the socio-economic development of the local context.

(*) The indicator refers to version G3.1 of the GRI guidelines.

Unit of M.ent	2009	2010	2011	Additional Information
				Further details on checks in relation to the freedom of association and child and forced labour are available in the document 'Saipem Sustainability 2011' in the chapter on Local Procurement.
				Further details on checks in relation to the freedom of association and child and forced labour are available in the document 'Saipem Sustainability 2011' in the chapter on Local Procurement.
				Further details on checks in relation to the freedom of association and child and forced labour are available in the document 'Saipem Sustainability 2011' in the chapter on Local Procurement.
				Further details on checks in relation to the freedom of association and child and forced labour are available in the document 'Saipem Sustainability 2011' in the chapter on Local Procurement.
%	-	-	33	
				Further details on checks in relation to the freedom of association and child and forced labour are available in the document 'Saipem Sustainability 2011' in the chapter on Local Procurement.
				Further details on checks in relation to the freedom of association and child and forced labour are available in the document 'Saipem Sustainability 2011' in the chapter on Local Procurement.
No.	-	-	32	
No.	-	-	2	Reports received are handled according to the methods described in the procedure 'Reports of Misdemeanours Received by Saipem and Subsidiaries'.
No.	-	-	-	
No.	-	-	1	
				Examples of initiatives implemented in 2011, such as projects for local communities in Peru, Angola (Food plus Bio Diesel) and training for local youth (Papua New Guinea and elsewhere), are described in the document 'Saipem Sustainability 2011'.

Area	GRI Code	GRI Description	Saipem Performance Indicator
Local Communities	S9*	Operations with significant potential or actual negative impacts on local communities	Operations where Saipem has direct responsibility for the impacts generated on the local context include the construction of new fabrication yards. In these cases, Saipem at all times carries out a Socio-Economic Impact Assessment (positive and negative) in order to maximize the benefits for the host communities and minimize any negative effects on them. Furthermore, where necessary, and when not supplied by the Client, the methodologies of the Environmental, Social and Health Impact Assessment (ESHIA) are adopted to assess the degree to which project activities or project-related activities can affect the surrounding populations. This methodology facilitates the pinpointing of any strategies required to mitigate these impacts.
	S10*	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Where Saipem has direct responsibility for impacts generated on the local context, following the Socio-Economic Impact Assessment it draws up an Action Plan to mitigate and manage these impacts.
Corruption	S2	Percentage and total number of business units analysed for risks related to corruption	In so far as applicable, details on initiatives against corruption are described in the document 'Corporate Governance Report and Shareholding Structure 2011'.
	S3	Percentage of employees trained in the organization's anti-corruption policies and procedures	Employees trained during the year in anti-corruption policies and procedures
			via workshops
			via e-learning
			Hours of training on anti-corruption policies and procedures carried out during the year, of which:
			via workshops
			via e-learning
	S4	Actions taken in response to incidents of corruption	At the time of writing, no cases of corruption have been ascertained. At any rate, anti-corruption procedures and Saipem's 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. The corrective measures deemed necessary and most appropriate are taken on the basis of any violations and the manner in which they were committed.
Public Policy	S5	Public policy positions and participation in public policy development and lobbying	Saipem believes that correct, transparent and participative dialogue with institutions, NGOs and civil society is a key factor in gaining trust and operating with respect for local communities. Saipem has always been proactive in dialogue with national and international institutions, through the direct interventions of its top management and indirectly through several associations to which it belongs.
	S6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Saipem does not make direct or indirect contributions to parties, movements, committees and political organizations, or to their delegates and candidates, except when provided for by specific regulations.
Anti-Competitive Behaviour	S7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	In 2011, Saipem was not served with any legal notices for anti-competitive behaviour and/or anti-trust and monopoly practices.
Compliance	S8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	In 2011, Saipem did not receive any significant fine and/or non-monetary sanction for non-compliance with laws and regulations.

(*) The indicator refers to version G3.1 of the GRI guidelines.

Unit of M.ent	2009	2010	2011	Additional Information
				Examples of initiatives implemented in 2011, such as projects for local communities in Peru, Angola (Food plus Bio Diesel) and training for local youth (Papua New Guinea and elsewhere), are described in the document 'Saipem Sustainability 2011'.
				The document 'Saipem Sustainability 2011' details activities associated with the construction (and entering into operation) of new yards in Brazil and Indonesia.
				The document 'Saipem Sustainability 2011' details activities associated with the construction (and entering into operation) of new yards in Brazil and Indonesia.
No.	-	-	836	
No.	-	-	647	
No.	-	-	189	
No.	-	-	7,680	
No.	-	-	5,412	
No.	-	-	2,268	
				For further information on disputes outstanding in this regard, see the paragraphs on the TSKJ Consortium and Kuwait in the 'Legal proceedings' section of the 2011 Annual Report.
				For further information in this regard, see the paragraph on the TSKJ Consortium in the 'Legal proceedings' section of the 2011 Annual Report.

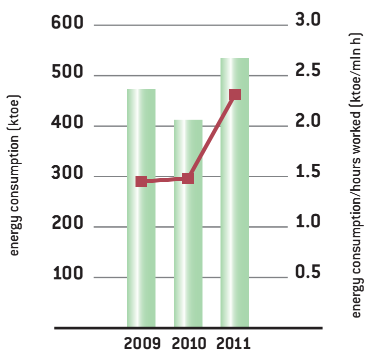
Area	GRI Code	GRI Description	Saipem Performance Indicator
Client Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	As a contractor, Saipem operates at all times in accordance with Client requests, and responsibility for the product remains the Client's by contract. However, Saipem participates in the safeguarding of the health and safety of all personnel working on its operations as well as those of the host communities, thereby contributing significantly to several of the phases required to ensure the safety of the product, which includes obtaining certification from third parties.
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Saipem operates at all times in observance of international laws and regulations and of Client requests.
Product and Service Labelling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Not relevant. The products supplied by Saipem comply with the contractual conditions set by the Client.
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Not relevant. Saipem supplies products that do not require labelling, and in any case the benchmarks for technical and quality standards are the conditions set out by the Client in the contract.
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Saipem has implemented a customer satisfaction assessment system, described in detail in the document 'Saipem Sustainability 2011'.
			Customer Satisfaction questionnaires received
			Average customer satisfaction score (on a scale of 1 to 10)
Marketing Communication	PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Not relevant. For Saipem, the Client is substantially different from a 'consumer', and is understood, rather, as a 'customer'.
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Not relevant. The Client, not Saipem, is responsible for the product.
Respect for Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Not relevant. Saipem's Clients do not fall under the category of 'consumers', but tend to be large-size companies. Processing of sensitive data is not comparable to that required for physical persons. At any rate, no complaints of this type have been received.
Compliance	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not relevant. The Client, not Saipem, is responsible for the product. At any rate, no cases of this type have been recorded.

Unit of M.ent	2009	2010	2011	Additional Information
				Saipem has implemented specific management procedures and processes for particularly complex systems, where the operational risks linked with health and safety are highest (see the chapter 'Efficiency for sustainable business' in the document 'Saipem Sustainability 2011').
	103	53	96	
	7.72	7.86	7.87	

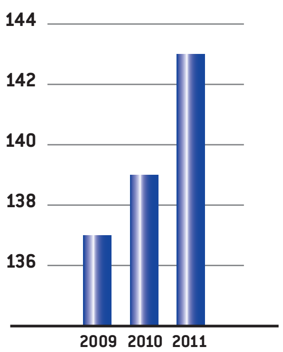
HSE Performance

The section provides analysis of health, safety and environmental management, and supplies more specific indicators on energy consumption, safety performance, the LiHS programme and health promotion and disease prevention tools.

Total energy consumption



Cases of repatriation



Repatriation of Saipem and subcontractor employees for reasons of health is constantly monitored and analysed. In 2011, there were 143 such cases, of which 126 Saipem and 17 subcontractor personnel. Of the overall total, 102 people were repatriated for illness and 41 for accidents. 11 cases were fatal, one of which is already included in the safety statistics.

Supplementary Performance Indicators

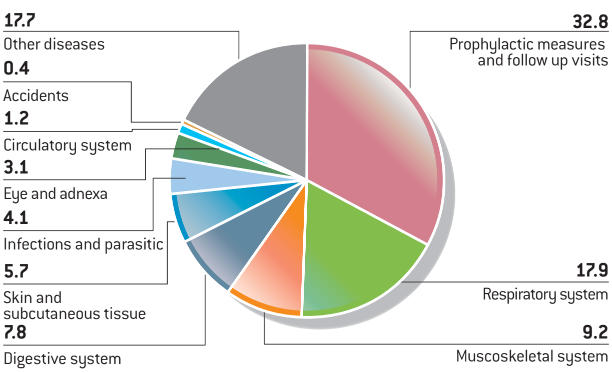
Additional leading indicators for health and safety performance	2009	2010	2011
Safety Hazard Observation Cards	239,871	347,536	519,455
Job Safety Analysis	146,131	186,757	334,523
HSE Inspection	110,173	132,911	189,663

Performance indicators for the Leadership in Health and Safety (LiHS) programme	2009	2010	2011	Total
Workshops held	136	121	115	372
Number of participants in workshops	1,833	1,615	1,602	5,050
Number of 'cascading events'	189	138	85	412
Number of participants in 'cascading events'	7,872	5,198	3,994	17,064
'Five Stars train the trainer'	61	30	14	105
Number of 'Five Stars training' sessions	94	205	191	490
Number of participants in 'Five Stars training' sessions	1,159	1,963	1,998	5,120
Number of 'Leading Behaviour Cascading events'			663	663
Number of participants in 'Leading Behaviour Cascading events'			21,615	21,615

NB: LiHS data are updated on a periodical basis which does not always coincide with the financial year. Changes can occur from one year to the next.

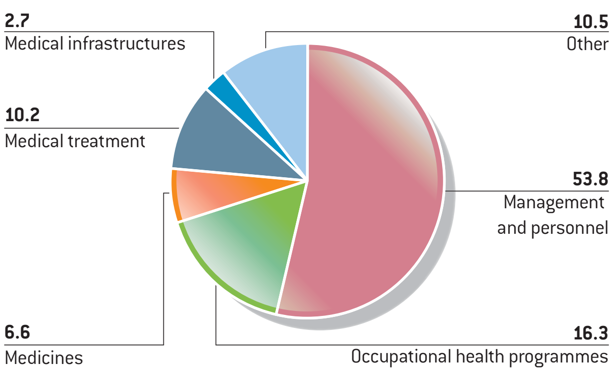
Further details on the LiHS programme are available in the document 'Saipem Sustainability 2011'.

Medical check-ups and cases (%)



Check-ups are carried out periodically on all operating projects for the benefit of employees. In 2011, 75,464 check-ups and/or cases were recorded in the GIPSI system used to collect and monitor medical indicators. This was an increase of 4.43% compared to 2010 (72,264). For the most part, preventive measures were implemented and follow-up check-ups performed. As regards the medical cases, most were of a respiratory nature (13,517), while 301 were due to work-related and non work-related accidents.

Health expenditure (%)



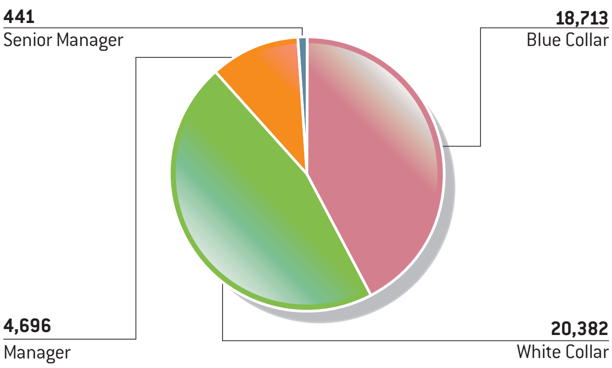
Healthcare costs in 2011 amounted to €28 million, of which 53% (€15.08 million) for management and medical personnel expenses. Occupational healthcare programmes cost €4.56 million and treatments €2.87 million.

People

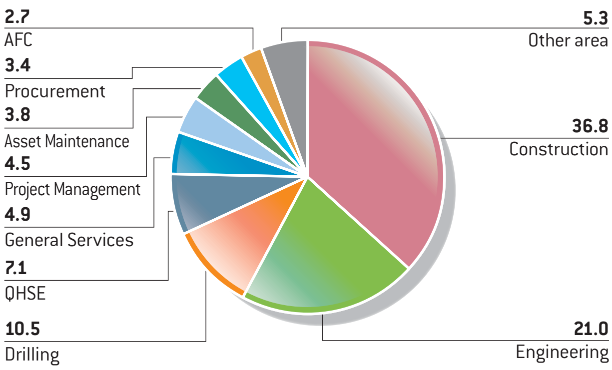
This section provides analysis on the theme of human resources management and supplies information on the Saipem population, diversity indicators and personal development.

Supplementary Performance Indicators

Employees by type (No.)

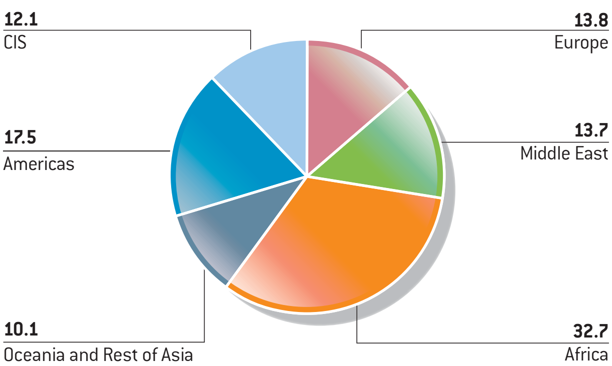


Employees by area (%)



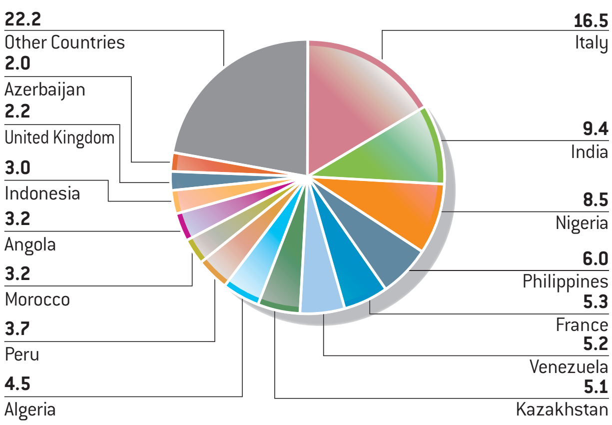
The composition of the workforce by category and professional area denotes the operational character of the Company, with a strong propensity toward productive and engineering professionals in both the Construction and Drilling businesses. Attention to HSE themes is also reflected in the number of dedicated personnel, which accounts for 7% of the workforce.

International employees by geographical area (%)



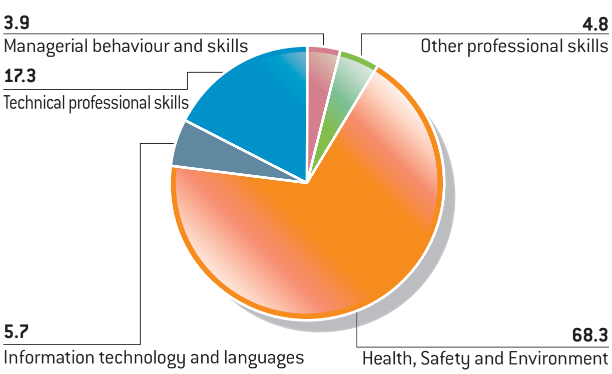
Excluding Italian employees, out of a total of 36,917 international employees, over 91% is locally employed.

Employees by country (%)



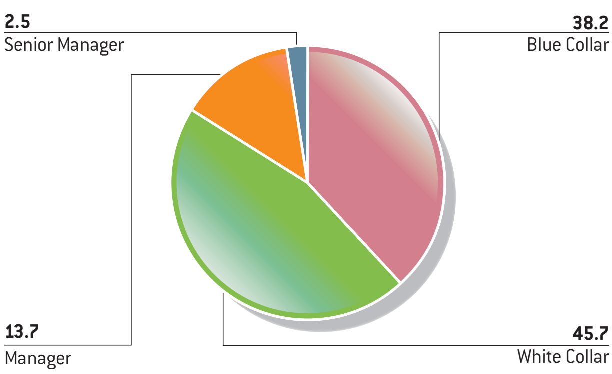
At December 31, 2011 the total number of Saipem employees was 44,232 (41,174 at year end 2010), representing 119 nationalities over the 5 continents.

Type of training (%)



Out of a total of 1,809,753 employee training hours, 1,236,260 were given over to HSE themes.

Employees who underwent performance monitoring (%)



17,220 employees underwent performance monitoring in 2011.

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Independent auditors' report on the limited assurance engagement of the addendum to the "Annual Report 2011" named "Sustainability Performance" of the Saipem Group as of 31st December 2011
(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 2011" of the Saipem Group named "Sustainability Performance" (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 and Reporting Criteria", as well as for determining the 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, which provides less assurance than a full scope audit, 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 31 December 2011, on which we issued our auditor's report on 28 March 2012, pursuant to art. 14 and 16 of Legislative Decree n.39 dated 27 January 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;
      - on-site verifications at the Saipem's Boscongo SA located in Pointe Noire (Congo);

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Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 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

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- 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 on a sample basis 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;

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 full audit performed in accordance with ISAE 3000 and consequently it does not allow us to 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 the "Sustainability Report 2010" on 8 April 2011.

3. Based on our work nothing has come to our attention that causes us to believe that the Addendum "Sustainability Performance" included in the "Annual Report 2011" 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 and Reporting Criteria".

Milan, Italy

March 28, 2012

Reconta Ernst&Young S.p.A.
Signed by: Maurizio Girardi, Partner

2

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

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

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

Sustainability Report (in English)

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

Website: www.saipem.com
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Design: Opera
Cover: Inarea
Layout and supervision: Studio Joly Srl - Rome - Italy
Printing: Impronta Grafica - Cantù (Como) - Italy

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