Annual Report 2012

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 and internationalisation.

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, 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, French Guinea, Gabon, Ghana, Ivory Coast, Libya, Mauritania, Morocco, Mozambique, Nigeria, South Africa, Togo, Tunisia

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

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

saipem

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Disclaimer

By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent upon circumstances which should or are considered likely to occur in the future and are outside of the Company's control. These include, but are not limited to: monetary exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), 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 24 and 30, 2013
Notice of the Shareholders' Meeting was published in the daily newspaper Il Sole 24 Ore on March 25, 2013

Letter to the Shareholders

Saipem Board of Directors

From left to right: Maurizio Montagnese, Nicola Greco, Michele Volpi, Mauro Sacchetto, Hugh James O'Donnell, Umberto Vergine, Alberto Meomartini, Gabriele Galateri di Genola

Dear Shareholders,

sluggish demand for gas in the Euro zone associated with a steadily rising supply has led to the postponement of important transport infrastructure development and construction projects targeted at the European market. In addition, the economic recession, coupled with problems in the financial systems of a number of European countries, is creating a climate of uncertainty with regard to the future outlook of the global economy and this in turn is having an impact on time frames for the approval and commencement of many initiatives planned by oil companies.

Saipem shares hit a record high of €39.78 in 2012. Despite this, however, the overall price fell by 10.1% in the latter part of the year following negative reactions to a notice of indictment received by the company from the Milan Prosecutor's Office as part of its investigation into alleged corruption in relation to contracts in Algeria.

Saipem's results for the year were also impacted by a significant contraction in operating profit in the Engineering & Construction sector in the final quarter of 2012. The reasons for this can for the most part be traced back to the conclusion of projects that produced above-average results, negotiation of change orders that were below expectations, delays in the acquisition of strategic projects and reduced levels of operations.
Specifically, compared to 2011, revenues increased by 6.2% and EBITDA by 3.4%, while net profit was down 2.1%.

In terms of individual business units, Offshore Engineering & Construction revenues increased by 5.5% and EBITDA by 2.3% over the previous year, with activity mostly concentrated in West Africa, Kazakhstan and the North Sea. Onshore Engineering & Construction revenues were up 3.9% but EBITDA was down 17.1% due to the projects in the Middle East and Algeria. In the Offshore Drilling Business Unit, revenues rose 30.6% and EBITDA by 30.5% as a result of the entering into service of the semi-submersible platforms Scarabeo 8 and Scarabeo 9. Finally, in the Onshore Drilling segment, revenues rose by 1.4% and EBITDA by 2.1%, the main activities being in South America.

In terms of health and safety, the LTIFR (Lost Time Injury Frequency Rate) was 0.32, hence in line with the 0.31 recorded in 2011. However, the 3 fatal accidents that occurred during the year (6 in 2011) serve to remind us that constant effort is needed to ensure that attention to health and safety is kept high at all sites on which Saipem operates.

Investments in 2012 amounted to €1,015 million (€1,199 million in 2011). In Offshore Engineering & Construction, the Castorone pipelay vessel was delivered by the Keppel Shipyard in Singapore, successfully underwent its first operational tests in shallow water and is currently undergoing deep water tests. Works also continued on the fabrication yard in Karimun in Indonesia and on construction of the new base in Brazil. In Onshore Engineering & Construction, meanwhile, the bases in Canada and Iraq are under completion. The Offshore Drilling sector saw the completion of works on the Scarabeo 8, the upgrading of the Scarabeo 6 to enable it to operate in water depths of up to 1,100 metres and class reinstatement works on the Scarabeo 3. Finally, in Onshore Drilling new rigs were purchased and prepared for operations in Saudi Arabia.

Overall investments in the oil industry are predicted to increase in 2013 following a year marked by delays and cancellations in the awarding of new projects, while market prospects for acquisitions are expected to improve in terms of both volume and project quality. In terms of operations and expected economic results, the Offshore and Onshore Engineering & Construction sector will be impacted in 2013 by the completion of projects that allowed Saipem to fully leverage its distinctive competences, by delays in awards of projects with the same characteristics, and by the execution of contracts in new areas of activity for which it is difficult to make reliable forecasts.

As a result, against otherwise substantially constant volumes, EBIT is expected to fall by 70% in Offshore Engineering & Construction and by approximately 80% in Onshore Engineering & Construction. Offshore Drilling is expected to increase its 2012 results by about 20% despite 4 months of downtime for the semi-submersible platform Scarabeo 5 for class reinstatement works. Onshore Drilling is likewise expected to improve upon its excellent performance in 2012. In overall terms, in 2013, your company should achieve revenues of €13.5 billion, EBIT of €750 million and net profit of €450 million.

Investments planned for 2013 amount to approximately €1 billion, which will mainly be allocated to the construction of bases in Brazil and Canada, the purchase and readying of onshore drilling rigs for the execution of the contract in Saudi Arabia, class reinstatement works on the semi-submersible platform Scarabeo 5, conclusion of activities in relation to the Castorone and, finally, upgrading of the semi-submersible pipelayer Castoro Sei.

March 13, 2013

On behalf of the Board of Directors

The Chairman
Alberto Meomartini

Chief Executive Officer (CEO)
Umberto Vergine

BOARD OF DIRECTORS

Chairman
Alberto Meomartini

Chief Executive Officer (CEO)
Umberto Vergine[1]

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
Michele Volpi

BOARD OF STATUTORY AUDITORS

Chairman
Mario Busso

Statutory Auditors
Anna Gervasoni[2]
Adriano Propersi

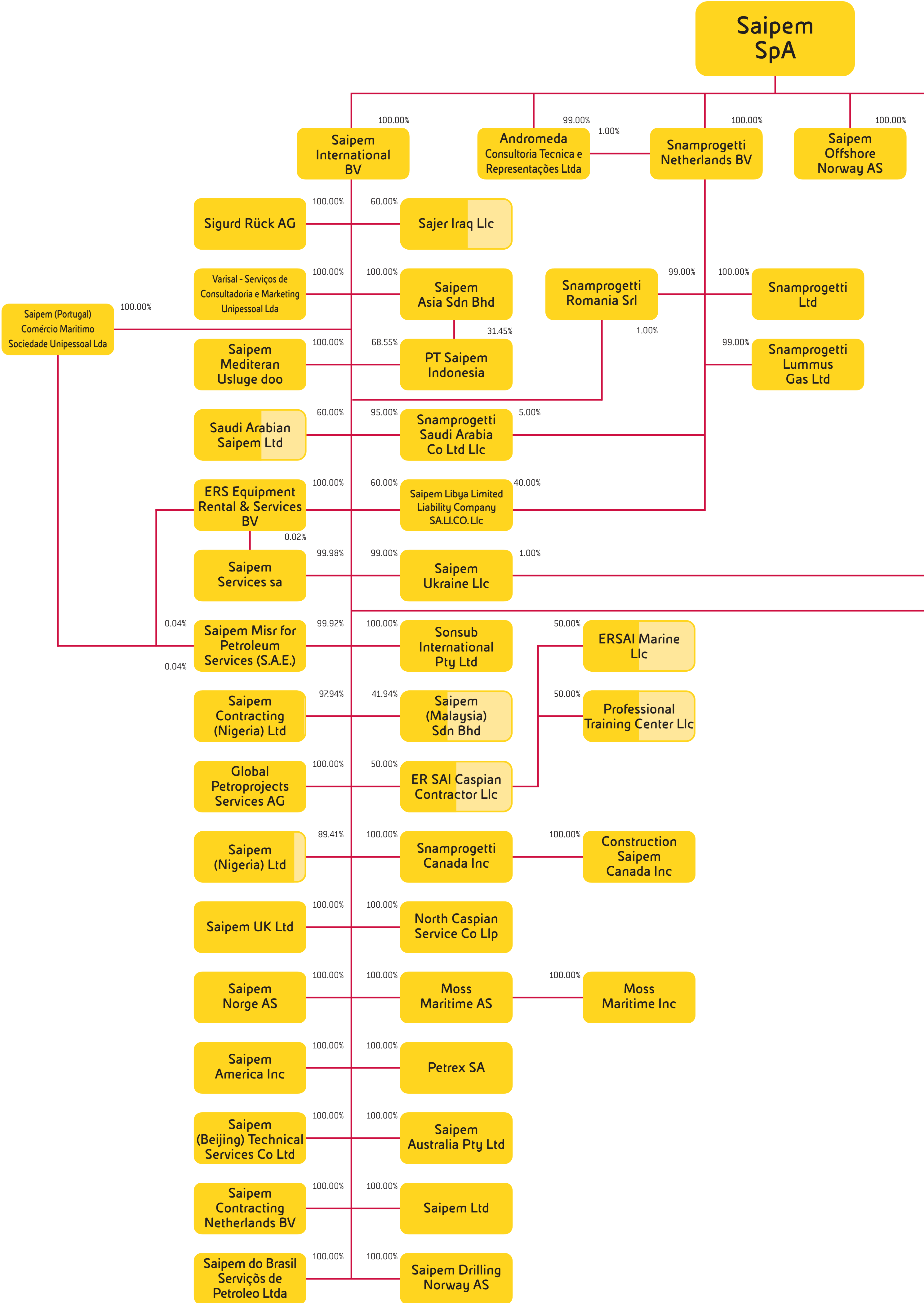
Alternate Auditors
Paolo Sfameni

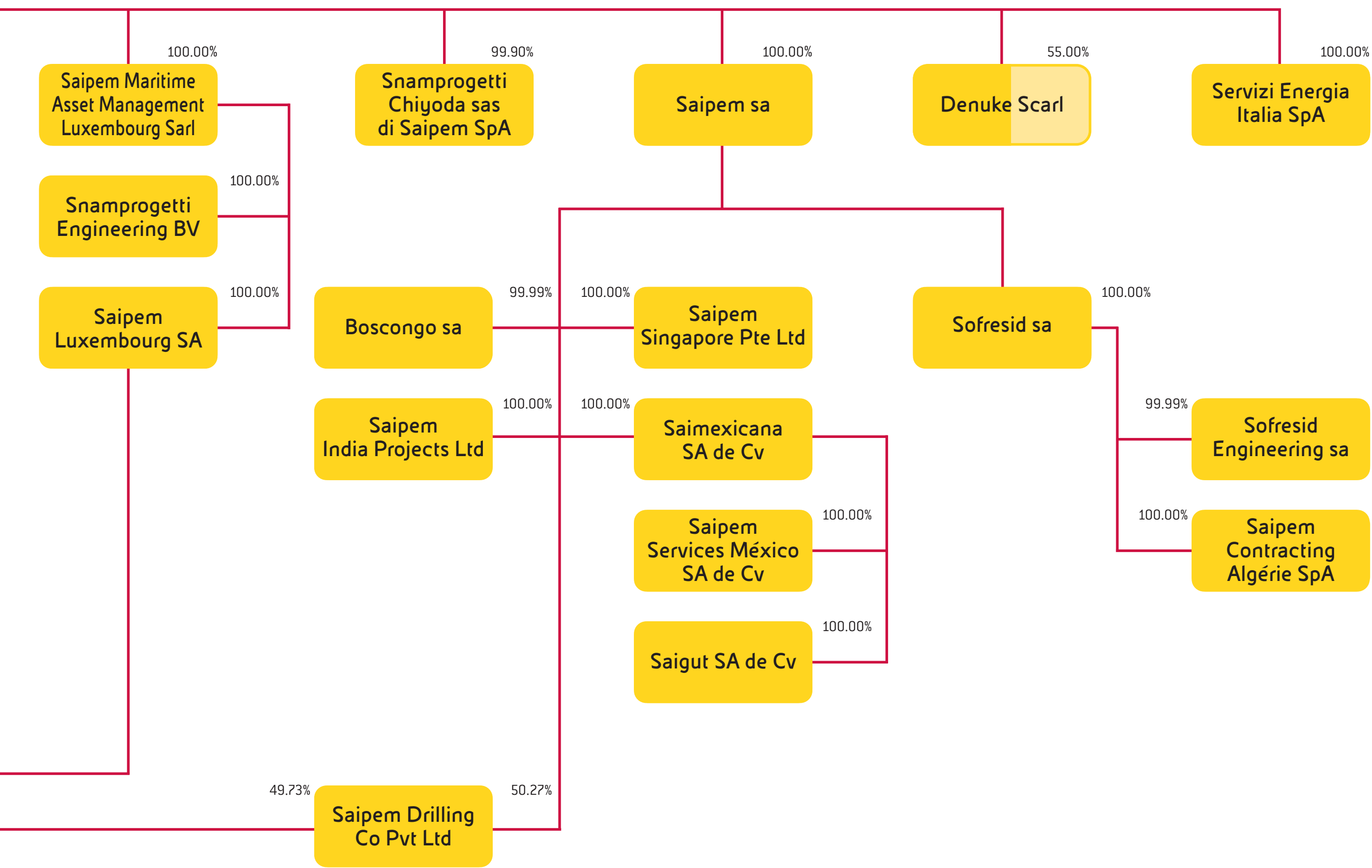
Independent Auditors
Reconta Ernst & Young SpA

(1) Took over as CEO from Pietro Franco Tali on December 5, 2012.
(2) Took over as Statutory Auditor from Giulio Gamba on April 27, 2012.

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
Saipem (Portugal) Comércio Maritimo Sociedade Unipessoal Lda
100.00%
31.45%
1.00%
100.00%
Saipem Mediteran Usluge doo
68.55%
PT Saipem Indonesia
99.00%
Snamprogetti Lummus Gas Ltd
60.00%
Saudi Arabian Saipem Ltd
95.00%
Snamprogetti Saudi Arabia Co Ltd Llc
5.00%
100.00%
ERS Equipment Rental & Services BV
60.00%
Saipem Libya Limited Liability Company SA.LI.CO. Llc
40.00%
0.02%
99.98%
Saipem Services sa
99.00%
Saipem Ukraine Llc
1.00%
0.04%
Saipem Misr for Petroleum Services (S.A.E.)
99.92%
0.04%
100.00%
Sonsub International Pty Ltd
50.00%
ERSAI Marine Llc
97.94%
Saipem Contracting (Nigeria) Ltd
41.94%
Saipem (Malaysia) Sdn Bhd
50.00%
Professional Training Center Llc
100.00%
Global Petroprojects Services AG
50.00%
ER SAI Caspian Contractor Llc
89.41%
Saipem (Nigeria) Ltd
100.00%
Snamprogetti Canada Inc
100.00%
Construction Saipem Canada Inc
100.00%
Saipem UK Ltd
100.00%
North Caspian Service Co Llp
100.00%
Saipem Norge AS
100.00%
Moss Maritime AS
100.00%
Moss Maritime Inc
100.00%
Saipem America Inc
100.00%
Petrex SA
100.00%
Saipem (Beijing) Technical Services Co Ltd
100.00%
Saipem Australia Pty Ltd
100.00%
Saipem Contracting Netherlands BV
100.00%
Saipem Ltd
100.00%
Saipem do Brasil Serviçõs de Petroleo Ltda
100.00%
Saipem Drilling Norway AS



The chart only shows Saipem subsidiaries

Directors' Report

Saipem SpA share performance

At December 31, 2012, Saipem ordinary shares on the Italian Stock Exchange were traded at €29.41, down 10% compared to the €32.73 reached at the end of 2011. In the same period, the FTSE MIB index, which records the performance of the 40 most liquid and capitalised Italian stocks, rose by 8%.
The Saipem share price increased in the first quarter of 2012, exceeding €39.00 in March, after which it began to fall due to the sluggishness of oil prices, which were affected by the prolonged crisis in the Euro zone and by the worsening global recession. The pick-up in the share price from the beginning of the second half of the year was sustained by Saipem's results in the first half, and by confirmation of the positive outlook for the company by brokers. Indeed, the share price reached an all-time high of €39.78 in mid-September, which was corrected to around €34.00 following negative projections for growth in 2013.
At the end of November 2012, Saipem received notification of an enquiry undertaken by the Prosecutor's Office in Milan regarding presumed corruption which, according to investigators, took place before 2010 in relation to contracts in Algeria. Following these events, Pietro Franco Tali resigned as a director, as Deputy Chairman and as CEO of Saipem SpA. Affected by the uncertainty deriving from the judicial enquiry and from the change in top management after more than a decade of continuity, the share price fell to a yearly low of €29.06 in the last month of the year.
At the end of December, Saipem's market capitalisation was just under €13 billion versus €14.4 billion at year end 2011, meaning the company ranked 8th on the Italian index in terms of market capitalisation.
In terms of share liquidity, shares traded over the year totalled approximately 460 million, versus the approximately 545 million registered in 2011. The average number of shares traded daily for the year totalled 1.8 million against 2.1 million in 2011. The value of shares traded amounted to just below €16 billion, down 13% compared with the figure of €18.3 billion recorded in 2011, making Saipem's the 7th most traded share on the FTSE MIB.
On May 24, 2012, a dividend of €0.70 per ordinary share was distributed to shareholders, representing an increase of over 11% compared with the dividend paid out in the previous year (€0.63 per share).

Stock exchange data and indices		**Dec. 31, 2008**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2012**
Share capital	(€)	441,410,900	441,410,900	441,410,900	441,410,900	441,410,900
Ordinary shares		441,262,713	441,265,604	441,270,452	441,275,452	441,297,465
Savings shares		148,187	145,296	140,448	135,448	113,435
Market capitalisation	(€ million)	5,262	10,603	16,288	14,447	12,983
Gross dividend per share:						
- ordinary shares	(€)	0.55	0.55	0.63	0.70	0.68 (1)
- savings shares	(€)	0.58	0.58	0.66	0.73	0.71 (1)
Price/earning ratio per share: (2)						
- ordinary shares		5.75	14.48	19.30	15.69	14.39
- savings shares		8.12	14.48	19.09	14.38	17.13
Price/cash flow ratio per share: (2)						
- ordinary shares		4.15	9.05	11.97	9.24	7.97
- savings shares		5.86	9.05	11.84	8.47	9.49
Price/adjusted earning ratio per share:						
- ordinary shares		7.26	14.48	19.67	15.69	14.39
- savings shares		10.25	14.48	19.46	14.38	17.13
Price/adjusted cash flow ratio per share:						
- ordinary shares		4.88	9.05	12.11	9.24	7.97
- savings shares		6.89	9.05	11.98	8.47	9.49

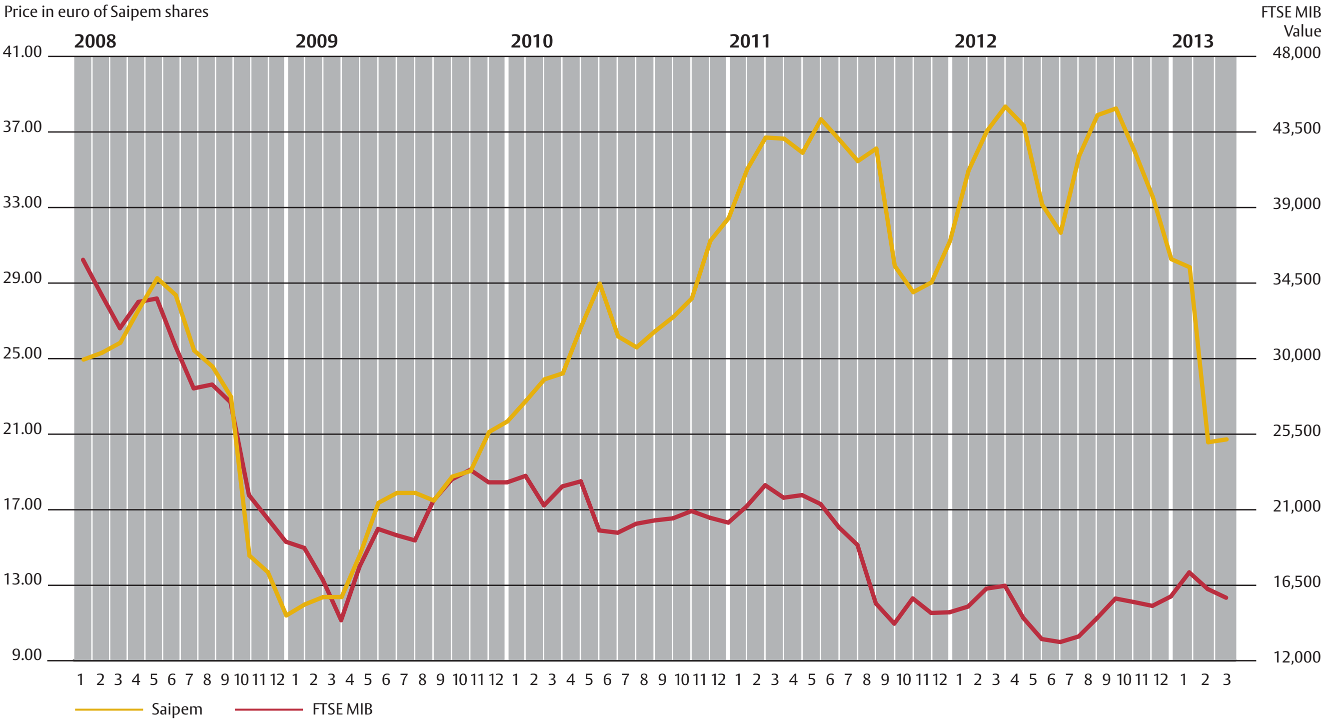
(1) To be approved by the Shareholders' Meeting to be held on April 24 and 30, 2013, at first and second call, respectively.
(2) Figures pertain to the consolidated financial statements.

Following an announcement to the markets on January 29, 2013, which revised 2012 profits slightly downward and forecast results for 2013 that were significantly below the financial community's expectations, on January 31, 2013 the share price fell to €19.86. There were no noteworthy shifts from this figure throughout February 2013. However, in March the price began to recover gradually and stabilised at around €24.00 towards the end of the first quarter.

The price of savings shares, which are convertible at par with ordinary shares, and are of limited number (113,435 at December 31, 2012), increased by approximately 17%, closing the year at €35.00 versus €30.00 at year end 2011. The dividend distributed on savings shares was €0.73 per share, up 11% on the previous year (€0.66 per share).

Share Prices on the Milan Stock Exchange	(€)	2008	2009	2010	2011	2012
Ordinary shares:						
- maximum		30.44	24.23	37.27	38.60	39.78
- minimum		10.29	10.78	23.08	23.77	29.07
- average		23.19	17.51	28.16	33.89	35.52
- year-end		11.92	24.02	36.90	32.73	29.41
Savings shares:						
- maximum		30.05	24.02	37.00	39.25	39.40
- minimum		16.82	14.85	23.00	30.00	30.00
- average		26.43	18.54	29.80	34.89	34.72
- year-end		16.82	24.02	36.50	30.00	35.00

Saipem and FTSE MIB - Average monthly prices January 2008-March 2013



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 Amortisation (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 name International Financial Reporting Standards (IFRS) has been adopted by IASB for the principles issued after May 2003. Standards issued before May 2003 have maintained the denomination IAS.
- **Leverage** a measure of a company's level of indebtedness, calculated as the ratio between net borrowings and shareholders' equity including minority interest.
- **OECD** Organisation for Economic Cooperation and Development.
- **ROACE** Return On Average Capital Employed, calculated as the ratio between 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 utilises electromagnetic waves during pipelaying to signal collapse of or deformations to pipeline laid.
- **Carbon Capture and Storage** technology which enables the carbon present in gaseous effluents from hydrocarbon combustion and treatment plants to be captured and stored over long periods of time in underground geological formations, thus reducing or eliminating carbon dioxide emissions into the atmosphere.
- **Central Processing Facility** production unit performing the first transformation of crude oil or natural gas.
- **Commissioning** series of processes and procedures undertaken in order to start operations of a gas pipeline, associated plants and equipment.
- **Concrete coating** reinforced concrete coating for subsea pipelines in order to ballast and protect them from damage and corrosion.
- **Conventional waters** water depths of up to 500 metres.
- **Cracking** chemical-physical process, typically employed in dedicated refinery plants, whose objective is to break down the heavy hydrocarbon molecules obtained from primary distillation into lighter fractions.
- **Deck** area of a vessel or platform where process plants, equipment, accommodation modules and drilling units are located.
- **Decommissioning** process undertaken in order to end operations of a gas pipeline, associated plant and equipment. Decommissioning may occur at the end of the life of the plant, following an accident, for technical or financial reasons, and/or on environmental or safety grounds.
- **Deep waters** water depths of over 500 metres.
- **Downstream** all operations that follow exploration and production operations in the oil sector.
- **Drillship** vessel capable of self-propulsion, designed to carry out drilling operations in deep waters.
- **Dry-tree** wellhead located above the water on a floating production platform.
- **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. A type of contract typical of the Onshore construction sector, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' is used to indicate that the system is delivered to the client ready for operations, i.e. already commissioned.
- **EPIC** (Engineering, Procurement, Installation, Construction) type of contract typical of the Offshore construction sector, which relates to the realisation of a complex project where the global or main contractor (usually a construction company or a consortium) provides the engineering services, procurement of materials, construction of the system and its infrastructure, transport to site, installation and commissioning/preparatory activities for the start-up of operations.
- **Fabrication yard** yard at which offshore structures are fabricated.
- **Facilities** auxiliary services, structures and installations required to support the main systems.
- **FDS** Field Development Ship. Dynamically-positioned multi-purpose crane and pipelay vessel.
- **FEED** Front-End Engineering and Design. Basic engineering and preliminary activities carried out before beginning a complex project to evaluate its technical aspects and enable an initial estimate of the investment required.
- **Flare** tall metal structure used to burn off gas produced by oil/gas separation in oil fields when it is not possible to utilise it on site or ship it elsewhere.
- **FLNG** Floating Liquefied Natural Gas unit used for the treatment, liquefaction and storage of gas which is subsequently transferred onto vessels for transportation to end-use markets.
- **Floatover** type of module installation on offshore platforms that does not require lifting operations. A specialised vessel transporting the module uses a ballast system to position itself directly above the location where the module is to be installed. Once this has been completed, the vessel backs off and the module is secured to the support structure.
- **Flowline** pipeline used to connect individual wells to a manifold or to gathering and processing facilities.

- **FPSO vessel** Floating Production, Storage and Offloading system comprising a large tanker equipped with a high-capacity production facility. This system, moored at the bow to maintain a geo-stationary position, is effectively a temporarily fixed platform that uses risers to connect the subsea wellheads to the on-board processing, storage and offloading systems.
- **FSRU** Floating Storage Regasification Unit. A floating terminal in which liquefied natural gas is stored and then regasified before being transported by pipeline.
- **Gas export line** pipeline for carrying gas from the subsea reservoirs to the mainland.
- **Hydrocracker** installation in which large hydrocarbon molecules are broken down into smaller ones.
- **Hydrotesting** operation involving high pressure (higher than operational pressure) water being pumped into a pipeline to ensure that it is devoid of defects.
- **Hydrotreating** refining process aimed at improving the characteristics of oil fractions.
- **International Oil Companies** privately-owned, typically publicly traded, oil companies engaged in various fields of the upstream and/or downstream oil industry.
- **Jacket** platform underside structure fixed to the seabed using piles.
- **Jack-up** mobile self-lifting unit, comprising a hull and retractable legs, used for offshore drilling operations.
- **J-laying** method of pipelaying that utilises an almost vertical launch ramp, making the pipe configuration resemble the letter 'J'. This configuration is suited to deep water 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, obtained by cooling natural gas to minus 160 °C. At normal pressure, gas is liquefied to facilitate its transportation from the place of extraction to that of processing and/or utilisation. A tonne of LNG equates to 1,500 cubic metres of gas.
- **Local Content** policy whereby a company develops local capabilities, transfers its technical and managerial know-how and enhances the local labour market and businesses through its own business activities.
- **LPG** Liquefied Petroleum Gas. Produced in refineries through the fractionation of crude oil and subsequent processes, liquid petroleum gas exists in a gaseous state at ambient temperatures and atmospheric pressure, but changes to a liquid state under moderate pressure at ambient temperatures, thus enabling large quantities to be stored in easy-to-handle metal pressure vessels.
- **LTI** Lost Time Injury. Any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred.
- **Midstream** sector comprising all those activities relating to the construction and management of the oil transport infrastructure.
- **Moon pool** opening in the hull of a drillship to allow for the passage of equipment.
- **Mooring buoy** offshore mooring system.
- **Multipipe subsea** subsea gas/liquid gravity separation system using a series of small diameter vertical separators operating in parallel (for deep water application).
- **National Oil Companies** State-owned/controlled companies engaged in oil exploration, production, transportation and conversion.
- **NDT** Non Destructive Testing. A series of inspections and tests used to detect structural defects conducted using methods that do not alter the material under inspection.
- **NDT Phased Array** non-destructive testing method that employs ultrasound to detect structural or welding defects.
- **Offshore/Onshore** the term offshore indicates a portion of open sea and, by extension, the activities carried out in this area, while onshore refers to land operations.
- **Oil Services Industry** companies that provide services to the oil exploration and production sector but which are not directly engaged themselves in oil production.
- **P&ID** Piping and Instrumentation Diagram showing all plant equipment, piping and instrumentation with associated shutdown and safety valves.
- **Pig** piece of equipment used to clean, descale and survey a pipeline internally.
- **Piggy backed pipeline** small-diameter pipeline, fixed to a larger pipeline, used to transport a product other than that of the main line.
- **Pile** long and heavy steel pylon driven into the seabed. A system of piles is used as the foundation for anchoring a fixed platform or other offshore structures.
- **Pipe-in-pipe** subsea pipeline system comprising 2 coaxial pipes, used to transport hot fluids (Oil&Gas). The 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.
- **Pre Travel Counselling** health and medical advice designed to take into account the health of the individual worker and ensure that he/she is furnished with adequate information on the specific risks present in his/her country of destination and the preventive measures that should be adopted.
- **Pre-commissioning** comprises pipeline cleaning out and drying.
- **Pre-drilling template** support structure for a drilling platform.
- **Pre-Salt layer** a geological formation present on the continental shelves offshore Brazil and Africa.
- **PTS** Pipe Tracking System. An electronic system used to ensure the full traceability of the components of subsea pipes installed on a project.
- **Pulling** minor operations on oil wells due to maintenance or marginal replacements.
- **QHSE** Quality, Health, Safety, Environment.
- **Rig** drilling installation comprising the derrick, the drill deck (which supports the derrick), and ancillary installations that enable the descent, ascent and rotation of the drill unit as well as mud extraction.
- **Riser** manifold connecting the subsea wellhead to the surface.

- **ROV** Remotely Operated Vehicle. Unmanned vehicle, piloted and powered via umbilical, used for subsea surveys and operations.
- **Shale gas** unconventional gas extracted from shale deposits.
- **Shallow 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 utilises 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** relationship between crude oil production and production capacity, i.e. quantity of oil which is not currently needed to meet demand.
- **Spool** connection between a subsea pipeline and the platform riser, or between the terminations of 2 pipelines.
- **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.
- **TAD** Tender Assisted Drilling unit. An offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructures.
- **Tandem Offloading** method used for the transfer of liquids (oil or LNG) between 2 offshore units in a line via aerial, floating or subsea lines (unlike side-by-side offloading, where the 2 units are positioned next to each other).
- **Tar sands** mixture of clay, sand, mud, water and bitumen. The bitumen in tar sands is composed principally of high molecular weight hydrocarbons and can be converted into a variety of oil products.
- **Template** rigid and modular subsea structure where the oilfield well-heads are located.
- **Tendon** pulling cables used on tension leg platforms to ensure platform stability during operations.
- **Tie-in** connection between a production line and a subsea wellhead or simply a connection between two pipeline sections.
- **TLP** Tension Leg Platform. Fixed-type floating platform held in position by a system of tendons and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.
- **Topside** portion of a platform above the jacket.
- **Train** series of units that achieve a complex refining, petrochemical, liquefaction or natural gas regasification process. A plant can be made up of one or more trains of equal capacity operating in parallel.
- **Trenching** burying of offshore or onshore pipelines.
- **Trunkline** oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals.
- **Umbilical** flexible connecting sheath, containing flexible pipes and cables.
- **Upstream** relating to exploration and production operations.
- **Vacuum** second stage of oil distillation.
- **Wellhead** fixed structure separating the well from the outside environment.
- **WHB** Wellhead Barge. Vessel equipped for drilling, workover and production (partial or total) operations, connected to process and/or storage plants.
- **Workover** major maintenance operation on a well or replacement of subsea equipment used to transport the oil to the surface.

Operating review

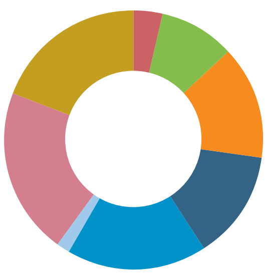
New contracts and backlog

Saipem Group - New contracts awarded as at December 31 (€ million)	2011		2012	
	Amount	%	Amount	%
Saipem SpA	4,268	34	2,454	18
Group companies	8,237	66	10,937	82
Total	**12,505**	**100**	**13,391**	**100**
Offshore Engineering & Construction	6,131	49	7,477	56
Onshore Engineering & Construction	5,006	40	3,972	30
Offshore Drilling	780	6	1,025	7
Onshore Drilling	588	5	917	7
Total	**12,505**	**100**	**13,391**	**100**
Italy	1,116	9	485	4
Outside Italy	11,389	91	12,906	96
Total	**12,505**	**100**	**13,391**	**100**
Eni Group	822	7	631	5
Third parties	11,683	93	12,760	95
Total	**12,505**	**100**	**13,391**	**100**

New contracts awarded to the Saipem Group in 2012 amounted to €13,391 million (€12,505 million in 2011).
56% of all contracts awarded were in the Offshore Engineering & Construction sector, 30% in the Onshore Engineering & Construction sector, 7% in the Offshore Drilling sector and 7% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 96% and contracts awarded by Eni Group companies 5% of the overall figure. Orders awarded to the parent company Saipem SpA amounted to 18% of the overall total.

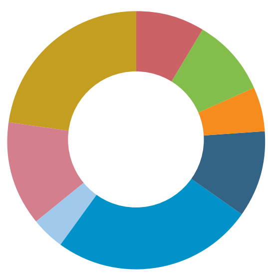
The backlog at December 31, 2012 stood at €19,739 million, which includes the cancellation of the Jurassic contract amounting to €700 million.
The breakdown of the backlog by sector is as follows: 44% in the Offshore Engineering & Construction sector, 34% in the Onshore Engineering & Construction sector, 16% in Offshore Drilling and 6% in Onshore Drilling.
91% of orders are on behalf of overseas clients, while orders from Eni Group companies represent 13% of the overall backlog. The parent company Saipem SpA accounted for 43% of the total order backlog.

New contracts by geographical area
(€13,391 million)



- €485 Italy
- €1,280 Rest of Europe
- €1,892 CIS
- €1,832 Far East
- €2,340 Middle East
- €237 North Africa
- €2,766 West Africa and rest of Africa
- €2,559 Americas

Backlog by geographical area
(€19,739 million)



- €1,719 Italy
- €1,913 Rest of Europe
- €1,127 CIS
- €2,147 Far East
- €4,940 Middle East
- €826 North Africa
- €2,578 West Africa and rest of Africa
- €4,489 Americas

Saipem Group - Backlog as at December 31 (€ million)	2011		2012	
	Amount	%	Amount	%
Saipem SpA	10,764	53	8,549	43
Group companies	9,653	47	11,190	57
Total	**20,417**	**100**	**19,739**	**100**
Offshore Engineering & Construction	6,600	32	8,721	44
Onshore Engineering & Construction	9,604	47	6,701	34
Offshore Drilling	3,301	16	3,238	16
Onshore Drilling	912	5	1,079	6
Total	**20,417**	**100**	**19,739**	**100**
Italy	1,816	9	1,719	9
Outside Italy	18,601	91	18,020	91
Total	**20,417**	**100**	**19,739**	**100**
Eni Group	2,883	14	2,526	13
Third parties	17,534	86	17,213	87
Total	**20,417**	**100**	**19,739**	**100**

Capital expenditure

Capital expenditure in 2012 amounted to €1,015 million (€1,199 million in 2011) and included:
- €525 million in the Offshore Engineering & Construction sector, mainly relating to the construction and preparation of a new pipelayer, ongoing work to develop a new fabrication yard in Indonesia, the beginning of construction work on a new base in Brazil and the maintenance and upgrading of the existing asset base;
- €84 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and facilities for yards in Iraq and Canada and the maintenance of existing assets;
- €284 million in the Offshore Drilling sector, relating mainly to the completion of the Scarabeo 8, the upgrading of the Scarabeo 6 (to enable it to operate in water depths of up to 1,100 metres), class reinstatement works on the Scarabeo 3 and the maintenance and upgrading of the existing asset base;
- €122 million in the Onshore Drilling sector expended mainly on a new rig which entered into operation in Saudi Arabia in the third quarter, 5 rigs due to operate in Saudi Arabia and the upgrading of the existing asset base.

The following table provides a breakdown of capital expenditure in 2012:

Capital expenditure (€ million)	2011	2012
Saipem SpA	115	89
Other Group companies	1,084	926
Total	**1,199**	**1,015**
Offshore Engineering & Construction	509	525
Onshore Engineering & Construction	59	84
Offshore Drilling	509	284
Onshore Drilling	122	122
Total	**1,199**	**1,015**

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

Offshore Engineering & Construction

General overview

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

In the second half of 2012, construction was completed of the Castorone, a new 330 m long and 39 m wide mono-hull pipelay vessel equipped with a class 3 dynamic positioning (DP) system, an S-lay system and features allowing for the future installation of a J-lay tower.
The vessel has already successfully undergone its first operational tests in shallow waters and will now complete deep water testing in the United States in order to be ready in the first quarter of 2013 for the execution of pipelaying projects already awarded in the Gulf of Mexico.
The Castorone has been designed for challenging large-diameter, deep water pipelay projects, but it also possesses the flexibility and productivity necessary for effective deployment on less complex projects.
The distinctive features of this vessel include a class 3 DP system, the capacity to fabricate and lay triple joint pipes of up to 48” in diameter (60” including coating) with a tensioning capacity of up to 750 tonnes (up to 1,500 tonnes in conditions of pipe flooding using a special patented clamp), a highly automated firing line made up of 7 workstations (3 welding and 4 completion/control), an articulated stinger for pipelaying in shallow and deep water with an advanced control system, and the capacity to operate in extreme environments. These features, which are in line with current trends in the deep water trunkline sector, have facilitated the acquisition of a significant backlog of projects in the United States, Brazil and Australia, further reinforcing the company’s leadership position in the industry.

The current development trend in deep water fields continues to ensure the success of the FDS 2 vessel, which has been operational since the first half of 2011 and which in 2012 completed the Kizomba Satellite (Angola) and Liwan (China) projects as well as acquiring a significant backlog of projects, especially in Brazil.
The FDS 2 is a 183 m long, 32 m wide mono-hull equipped with a cutting-edge class 3 DP system and a pipeline fabrication system. It has a vertical J-lay tower with a holding capacity of 2,000 tonnes capable of laying quad joint sealines of up to 36” in diameter and also possesses the capability to operate in S-lay mode.
With its 1,000 tonne crane and two 750 and 500 tonne capstan winches (the latter featuring a heave compensation system) the FDS 2 is perfect for carrying out even the most challenging of deep water projects.

Saipem’s fleet of technologically advanced vessels also includes the Saipem 7000, which is equipped with a dynamic positioning system, has a 14,000-tonne lifting capacity and is capable of laying subsea pipelines in ultra-deep waters using the J-lay system. The Saipem 7000 can handle a suspended load of up to 1,450 tonnes during pipelay operations. The fleet further comprises the Castoro Sei, a semi-submersible pipelay vessel capable of laying large diameter subsea pipelines and which successfully completed the Nord Stream project in 2012, the Field Development Ship (FDS), which is a special purpose vessel used in the development of deep water fields, equipped with a dynamic positioning system, a 600-tonne lifting capacity crane and a vertical pipelaying system capable of operating in water depths of over 2,000 metres and the Saipem 3000, which is capable of laying flexible pipelines and installing umbilicals and mooring systems in deep waters and installing subsea structures of up to 2,200 tonnes.

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

Work continued in Brazil in 2012 for the development of a fabricating yard for subsea and floating facilities, as well as a logistics base on a 35 hectare area purchased in October 2011 and located in the district of Guarujá.
The area is situated strategically at about 350 km from the Santos Basin, the offshore Brazilian region where Pre-Salt fields have been discovered in ultra-deep water, and at 650 km from the Campos Basin, the most important offshore basin in Brazil.
Saipem’s work in the new yard will complement the services offered by the highly specialised ultra-deep water fleet that the company has developed over the last few years and will also enable the company to satisfy the particularly stringent local content requirements imposed in Brazil in the highly technological sector of subsea developments in ultra-deep waters.

During 2012, the Karimun fabrication yard in Indonesia continued construction work on various Group projects.
Saipem also enjoys a strong position in the subsea market, thanks to its use of highly sophisticated technologies, such as subsea

ROVs and specially equipped robots capable of carrying out complex deep water pipeline operations.
Finally, Saipem is also active in the Leased FPSO sector, with a fleet comprising the Cidade de Vitoria and the Gimboa, as well as the FPSO Firenze.

Market conditions

Despite the slump in the global economy, the Offshore E&C market is managing to hold a sustained rhythm. Offshore spending in Exploration & Production by oil companies grew by almost 25% compared to 2011 and it is estimated that 2013 will see further double-digit growth figures. This positive trend is also due to high oil prices ($110 for a barrel of Brent), which makes many projects remunerative, including those located in what are historically considered frontier areas (i.e. deep water or harsh environments). The shale gas revolution continues in the United States with implications that are not yet fully clear and which will depend on whether the country's future energy policies tend towards exportation of the surplus gas or its domestic consumption. The repercussions of this revolution include the halt of the Shtokman project by Gazprom, whose gas had been earmarked for export to North America.
2012 confirmed the emergence of East Africa as a new natural gas province, with important new discoveries being made in Mozambique by Eni and Anadarko, followed by Statoil in Tanzania. In West Africa, conversely, the climate of uncertainty in Nigeria arising from political indecision regarding the approval of the Petroleum Industry Bill (PIB) has led to delays and the suspension of investments by the main oil companies operating in the country.
Another area where positive investment trends were confirmed was in Latin America, and in Brazil in particular.
As regards competitors, mergers & acquisitions (as seen in the merger between Sapura and Kencana) and the formation of strategic alliances (foremost of which the agreement between Technip and Heerema targeted at the deep water market) continued during the year.
This latter market has seen very significant growth in spending over the last few years, to the extent that levels of expenditure in 2015 are predicted to be double what they were in 2011.

Globally, the subsea segment has for several years seen levels of activity in constant growth: if we consider the number of subsea units started up in 2012, an increase of 12% compared to the previous year can be observed. About half of these are concentrated in the South Atlantic (West Africa and Latin America), with a further 20% located in the Gulf of Mexico, as an effect of the post-Macondo recovery. Activity is also very intense in the North Sea, which recent discoveries offshore Norway have made one of the main targets for investments and which will see a number of important production plants started up between 2012 and 2013.
As regards subsea pipelines, there was no significant variation in 2012 compared to 2011. In terms of kilometres installed, a decrease in large diameter pipelines was offset by an increase in small pipelines. The area driving the latter segment was the North Sea, which represented about 30% of the market, followed by Asia-Pacific with a 25% market share, a temporary but nevertheless significant fall compared to 2011. The Middle East is the fastest growing area on account of large-scale projects such as Upper Zakum (Abu Dhabi NOC - Exxon), Khafji (Saudi Aramco) and Qatar North Field Barzan (Qatar Petroleum).
Compared to 2011, laying of large diameter pipelines was down 14% in terms of kilometres installed, due to completion of the Nord Stream project. In 2012, activities shifted to the Asia-Pacific area where a number of large projects are already in the executive phase. These include Liwan in China and Gorgon in Australia, as well as the blockbuster project Ichthys for which various packages were awarded in 2012. Pending commencement of the South Stream project in the Black Sea, which was approved in November 2012, strong development is expected in the Gulf of Mexico in 2013 due to a number of recent discoveries.

The number of fixed platforms installed in 2012 is more or less the same as the previous year, i.e. around 200 units, of which a fifth were in the heavy and ultra-heavy lifting segment. More than two thirds of installations were shared between Asia-Pacific and the Middle East, while the rest were located in the North Sea and the Gulf of Mexico.

As regards floaters, only 5 FPSO units were installed, amounting to half the figure for 2011. This was due to the fall-off in orders following the crisis of 2008-2009. Business nevertheless remained steady, with 10 new orders placed during the year and prospects for growth in Latin America (Petrobras and OGX) and West Africa.
In relation to the FSRU sector, only one unit was installed in 2012, in Indonesia, but the number of planned units increased significantly, above all in Asia-Pacific.
Following the world's first FLNG unit, which was commissioned by Shell in 2011, the year saw orders placed for 2 new units (La Creciente for Pacific Rubiales in Mexico, and Kanowit for Petronas in Malaysia), while units at the planning stages (almost all in the Pacific region) were also on the increase.

New contracts

The most significant contracts awarded to the Group in 2012 were:
- for INPEX, an EPIC project forming part of the Ichthys LNG Project, encompassing the engineering, procurement, construction and installation of a subsea pipeline connecting the offshore central processing facility to the onshore processing facility in Darwin;
- for Lukoil-Nizhnevolzhskneft in Russia, the Filanovsky EPIC contract for the engineering, procurement, fabrication and installation of an oil pipeline and a gas pipeline in a maximum water depth of 6 metres, along with related onshore pipelines connecting the riser block in the offshore field to the onshore shut-off valves;
- for Petrobras in Brazil, an EPIC contract encompassing the engineering, procurement, fabrication, installation and

pre-commissioning of the SLWR (Steel Lazy Wave Riser) for the collection system at the Sapinhoá Norte field, and of the FSHR (Free Standing Hybrid Risers) for the gas export systems at the Sapinhoá Norte and Cernambi Sul fields;
- for Petrobras in Brazil, an EPIC contract for the gas export trunkline Rota Cabiúnas, situated in the Santos Basin Pre-Salt Region. The development comprises the engineering and procurement of subsea equipment and the installation of a gas pipeline in a maximum water depth of 2,200 metres using the Castorone and the FDS 2;
- for CABGOC in Angola, an EPIC contract, Mafumeira 2, comprising engineering, procurement, fabrication, installation and pre-commissioning of URF (umbilical, riser and flowline) facilities and export gas pipelines;
- for CABGOC, the EPIC project Congo River Crossing Pipeline in Angola, comprising engineering, procurement, fabrication and the installation of 3 subsea pipelines and subsea spools, as well as trenching and crossing works. The project is to be developed off the coasts of Angola and the Democratic Republic of the Congo;
- for Saudi Aramco, an addition to the scope of work with the engineering, procurement, transport, installation and commissioning of 2 trunklines in the Arabiyah and Hasbah fields, as part of the Al Wasit Gas Program, which is already in the backlog;
- for Total Exploration and Production, the GirRI (Girassol Resources Initiatives) EPIC contract, in Block 17 in Angola, which encompasses engineering, procurement, fabrication, installation and commissioning of changes to the topside of the pumping system on the FPSOs Girassol and Dalia;
- for Lukoil-Nizhnevolzhskneft, in Russia, the Filanovsky T&I project, which encompasses the transportation and installation of several facilities including a fixed ice-resistant platform, a living quarter platform, a central processing platform and a riser platform, along with connection bridges;
- for Discovery Producers Llc in the Gulf of Mexico, the contract for the transport and installation of the gas export pipeline Keathley Canyon Connector. Offshore activities will be carried out by the pipelay vessel Castorone in water depths ranging from 100 to 2,100 metres;
- for Dong E&P, an EPIC contract involving the engineering, procurement, construction and installation of a gas pipeline and an oil pipeline at a maximum water depth of 40 metres connecting the Hejre field to an offshore platform;
- for Teniz Burgylau Llp, a contract in consortium with Keppel Kazakhstan Llp in Kazakhstan for the fabrication, outfitting and commissioning of a jack-up rig, the first ever to be constructed in the country;
- for CABGOC (Cabinda Gulf Oil Co Ltd) in Angola, 2 separate packages for the development of the southern part of Mafumeira field. The first contract, EPIC 3, is in relation to engineering, procurement and pre-fabrication activities for subsequent offshore modifications and tie-ins on the existing Mafumeira Norte platform and the future Mafumeira Sul production platforms. The second contract, EPIC 4, comprises the engineering, procurement, fabrication and installation of an onshore pipeline portion connecting the field to the oil storage and export facilities in the Malongo Terminal;
- for Mobil Producing Nigeria Unlimited, a contract for the Asasa Pressure Maintenance, Usari FA-FR Risers and Edop Pipeline Extension projects, encompassing the fabrication and installation of pipelines, risers and subsea spools at a maximum water depth of 50 metres;
- for Saudi Aramco, under the Long Term Agreement, a contract comprising the engineering, fabrication, transport and installation of 3 decks, 6 flowlines, 1 pipeline and various connecting infrastructures;
- for Saudi Aramco, under the Long Term Agreement, a contract comprising the engineering, fabrication, transport and installation of 2 jackets, 1 pipeline connecting to the onshore treatment facility, 6 flowlines and 6 subsea pipelines, as well as various connecting infrastructures;
- for Lundin Norway As, a contract encompassing the transportation and installation of the Luno platform in the Norwegian sector of the North Sea;
- for Det Norske Oljeselskap ASA, a contract encompassing the transportation and installation of the Ivar Aasen jacket and the topside, in the Norwegian sector of the North Sea;
- for GDF Suez E&P UK Ltd, a contract encompassing the transportation and installation of a pipeline, in the British sector of the North Sea;
- for Talisman Energy, a contract encompassing the transportation and installation of the jacket of the Montrose platform, in the British sector of the North Sea;
- for Saudi Aramco, under the Long Term Agreement, a contract for the construction, transport and installation of 4 jackets and an observation platform for the Marjan and Manifa fields in the Persian Gulf.

Capital expenditure

The most significant investments in this sector included:
- continuation of investments in the new pipelayer, Castorone, equipped with a dynamic positioning system, designed for laying large diameter pipes in sub-Arctic conditions and in deep waters;
- upgrading of the new fabrication yard in Indonesia;
- development of the Guarujá area (Brazil) 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 carried out on the main fleet vessels, on fabrication yards and on logistics bases.

Work performed

The biggest and most important projects underway or completed during 2012 were:

In the Mediterranean Sea:
- for the Burullus Gas Co in Egypt, work started on the EPIC contract 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;
- for Petrobel in Egypt, the offshore platform **SETH** was installed.
- on the **Castor** project for UTE ACS Cobra Castor in Spain, work was completed on the installation of an offshore pipeline connecting mainland Spain to the Well Head Platform.

In Saudi Arabia, for Saudi Aramco:
- installation work began as part of the **Al Wasit Gas Program**, for the development of the Arabiyah and Hasbah offshore fields. The contract encompasses the engineering, procurement, construction and installation of 15 fixed platforms, an export pipeline, offshore lines, and subsea and control cables. Operations have begun under the same contract supplementing the scope of work with the engineering, procurement, transport, installation and commissioning of 2 trunklines in the Arabiyah and Hasbah fields;
- under the **Long Term Agreement** for the engineering, procurement, construction, transport and installation of structures, platforms and pipelines:
  - the construction and installation of 4 new jackets and pipelines was completed;
  - fabrication work was carried out in relation to the contract for the fabrication, transport and installation of 4 jackets and an observation platform for the Marjan and Manifa fields in the Persian Gulf;
  - preparatory works have begun on the construction and installation of 2 jackets and 3 decks.

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

In the Far East:
- work was completed for ExxonMobil on the contract for the **PNG LNG EPC2** Offshore Pipeline Project in Papua New Guinea. The scope of work consisted of the engineering, transportation and installation of a gas sealine connecting the production facilities situated at the mouth of 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 is underway for Husky Oil China Ltd in China on the **Liwan 3-1** project encompassing the engineering, procurement and installation of 2 pipelines, umbilicals, and the transport and installation of a subsea production system linking the wellheads to a processing platform;
- work is underway for **Bien Dong Petroleum Operating Co** in Vietnam on the engineering, transportation and installation of pipelines and subsea cables as well as of 2 platforms and interconnecting bridges;
- on the **Hai Su Trang Development** project in Vietnam, engineering, transportation and installation work on 2 wellhead platforms and a pipeline is underway for Petrovietnam Technical Services Co.

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

In West Africa:
- work is nearing completion for Esso Exploration Angola (Block 15) Ltd on the **Kizomba Satellites Epc3 Tiebacks** project offshore Angola. The scope of work comprised engineering, construction, transport and installation of tiebacks, umbilicals, risers and subsea systems connecting the Mavacola and Clochas fields to the existing Kizomba A and B FPSOs;
- for Mobil Producing Nigeria Unlimited, work is nearing completion on the contract for the **Asasa Pressure Maintenance**, **Usari FA-FR Risers** and **Edop Pipeline Extension** projects, which encompassed the fabrication and installation of pipelines, risers and subsea spools at a maximum water depth of fifty metres;
- work is nearing completion for Mobil Producing Nigeria Unlimited on the **Critical Crude Pipeline Replacement** project in Nigeria, which involved the fabrication, transportation, installation and testing of 6 replacement pipelines connecting 6 platforms, including shore approach and subsea safety structures;
- pre-commissioning is underway on the **Usan** EPIC project for Elf Petroleum Nigeria (Total), relating to the subsea development of the Usan deep water field, located approximately 160 km south of Port Harcourt in Nigeria. This contract comprises the engineering, procurement, construction, installation and assistance for the commissioning and start-up of subsea umbilicals, flowlines and risers connecting subsea wells to the FPSO system, as well as the construction of the oil loading terminal, consisting of an offloading buoy and 2 offloading lines, and part of the FPSO anchoring system;
- engineering and procurement activities continued offshore Nigeria on the **Bonga North West** contract for Shell Nigeria Exploration and Production Co Ltd (SNEPCo). The contract encompasses the engineering, procurement, construction, installation and pre-commissioning services for pipe-in-pipe production flowlines, flowlines for injecting water into fields as well as related subsea production facilities;
- work has begun for CABGOC in Angola on the **Mafumeira 2** project comprising engineering, procurement, fabrication, installation and pre-commissioning of URF (umbilical, riser and flowline) facilities and export pipelines;

- work is underway for Total E&P Nigeria Ltd on the **OFON2 - D030** project in Nigeria for new offshore facilities in the Ofon field. The contract involves the engineering, procurement, construction and installation of the OFP2 Jacket, as well as the transportation and installation of the new OFQ platform complete with living quarters;
- work has begun for CABGOC (Cabinda Gulf Oil Co Ltd) in Angola on the contract, **EPIC 3**, in relation to engineering, procurement and pre-fabrication activities for subsequent offshore modifications and tie-ins on the existing Mafumeira Norte platform and the future Mafumeira Sul production platforms;
- for CABGOC, work has commenced on the **Congo River Crossing Pipeline** project in Angola, comprising engineering, procurement, fabrication and the installation of 3 subsea pipelines and subsea spools, as well as trenching and crossing works. The project is to be developed off the coasts of Angola and the Democratic Republic of the Congo.

In the Baltic Sea, the laying of the second line was completed and testing and pre-commissioning is currently underway on the **Nord Stream** project on behalf of Nord Stream AG. The contract involved the laying of a gas pipeline composed of 2 parallel pipes linking Vyborg in Russia with Greifswald in Germany, as well as dredging, backfilling, testing and pre-commissioning activities.

In the North Sea:
- work has concluded on the EPIC project **York** for Centrica UK. This involved fabrication, installation and testing of a pipeline, an umbilical and the related connections;
- work has finished on the **Elgin B** project for Elf Exploration UK, a contract involving the engineering, procurement, construction and installation of a jacket;
- installation of a part of the structures has been successfully completed on the **K4 - Z** EPIC project for Total, a 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;
- various structures were installed for ConocoPhillips (**Jasmine**, **Greater Ekofisk**, **Eldfisk** and **Katy projects**), Shell (**Ormen Lange project**), Statoil (**Troll-Oseberg Gas injection decommissioning** and **Gudrun project**) and Chevron (**Captain project**).

In Russia:
- for Caspian Pipeline Consortium (CPC) in Russia, the project for the expansion of the facilities of the **CPC** marine export terminal on the Black Sea shores in the Krasnodar region of the Russian Federation has been completed. The development included 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.
- work has commenced for Lukoil-Nizhnevolzhskneft in Russia on the **Filanovsky** contract for the engineering, procurement, fabrication and installation of an oil pipeline and a gas pipeline in a maximum water depth of 6 metres, along with related onshore pipelines connecting the riser block in the offshore field to the onshore shut-off valves.

In the framework of the **Under Water Operation** in Azerbaijan, subsea inspection, maintenance and repair works continued for BP Exploration (Caspian Sea) Ltd on BP offshore infrastructures in the Azeri offshore, including platforms installed by BP in previous years. 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 2 new scopes of work encompassing the construction of the jacket and transportation and installation of the jacket and topside.

In Kazakhstan, for Agip KCO, as part of the programme for the development of the Kashagan field:
- work has been completed on the extension of the contract for the **Piles and Flares** project, which encompassed the installation of modular barges, a flare, a number of piperacks, a connecting bridge and various other structures currently under construction in Kuryk;
- logistical support work is underway 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 is under completion on the **New Hook-Up, Pre-commissioning and Commissioning Assistance** project, which principally involves the completion of the interconnecting components between modules on islands A and D.

In Brazil, for Petrobras:
- work continued on the **P55-SCR** 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 the Rio de Janeiro state in Brazil;
- work continued on the **Guara & Lula-Nordest** gas export pipeline project encompassing the transportation, installation and pre-commissioning of 2 export sealines, as well as the engineering, procurement and construction of related subsea equipment;
- work began on the contract for the construction of the **Rota Cabiúnas** gas export trunkline, situated in the Santos Basin Pre-Salt Region. The development comprises the engineering and procurement of subsea equipment and the installation of a gas pipeline in a maximum water depth of 2,200 metres. The pipeline will connect the Central Gathering Manifold in the Lula field, in the Santos Basin, to the onshore Processing Plant of Cabiúnas, located in the Macaé district, in the State of Rio de Janeiro.

For PDVSA in Venezuela, work continued 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 Mexico, work was completed for Pemex on the **Pemex T&I of 4 Platforms** project, comprising the transportation and installation of 4 platforms.

In the Leased FPSO segment, the following vessels carried out operations during 2012:
- the FPSO Cidade de Vitoria, 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 Firenze FPSO unit, on the Eni E&P contract for the supply 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;
- the FPSO Gimboa, 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.

Offshore fleet at December 31, 2012

Saipem 7000	Self-propelled, semi-submersible, dynamically positioned crane and pipelay vessel capable of lifting structures of up to 14,000 tonnes and J-laying pipelines at depths of up to 3,000 metres.
Saipem FDS	Dynamically positioned vessel utilised for the development of deep water fields at depths of up to 2,000 metres. Capable of launching 22" diameter pipes in J-lay configuration with a holding capacity of up to 550 tonnes (upgrade to 750 tonnes currently underway) and a lifting capacity of up to 600 tonnes.
Saipem FDS 2	Dynamically positioned vessel utilised for the development of deep water fields capable of launching pipes with a maximum diameter of 36" in J-lay mode with a holding capacity of up to 2,000 tonnes. Also capable of operating in S-lay mode with a lifting capacity of up to 1,000 tonnes.
Castoro Sei	Semi-submersible pipelay vessel capable of laying large diameter pipes at depths of up to 1,000 metres.
Castoro Sette	Semi-submersible pipelay vessel capable of laying large diameter pipes at depths of up to 1,000 metres.
Castoro Otto	Derrick pipelay ship capable of laying pipes of up to 60" diameter and of lifting structures weighing up to 2,200 tonnes.
Saipem 3000	Self-propelled dynamically positioned derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters and of lifting structures weighing up to 2,200 tonnes.
Bar Protector	Dynamically positioned, multi-purpose support vessel used for deep water diving operations and offshore works.
Semac 1	Semi-submersible pipelay barge capable of laying large diameter pipes in deep waters.
Castoro II	Derrick lay barge capable of laying pipes of up to 60" diameter and of lifting structures weighing up to 1,000 tonnes.
Castoro 10	Trench/pipelay barge capable of burying pipes of up to 60" diameter and of laying pipes in shallow waters.
Castoro 12	Pipelay barge capable of laying pipes of up to 40" diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
S355	Derrick lay barge capable of laying pipes of up to 42" diameter and of lifting structures weighing up to 600 tonnes.
Crawler	Derrick lay barge capable of laying pipes of up to 60" diameter and of lifting structures weighing up to 540 tonnes.
Castoro 16	Post-trenching and back-filling barge for pipes of up to 40" diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
Saibos 230	Derrick pipelay barge capable of laying pipes of up to 30" diameter, equipped with a mobile crane for piling, marine terminals and fixed platforms.
Ersai 1	Heavy lifting barge equipped with 2 crawler cranes, capable of carrying out installations whilst grounded on the seabed. The lifting capacities of the 2 crawler cranes are 300 and 1,800 tonnes, respectively.
Ersai 2	Work barge equipped with a fixed crane capable of lifting structures of up to 200 tonnes.
Ersai 3	Support barge with storage space, workshop and offices for 50 people.
Ersai 4	Support barge with workshop and offices for 150 people.
Ersai 400	Accommodation barge for up to 400 people, equipped with gas shelter for H_2S leaks.
Castoro 9	Cargo barge.
Castoro XI	Heavy-duty cargo barge.
Castoro 14	Cargo barge.
Castoro 15	Cargo barge.
S42	Cargo barge, currently used for storing the J-lay tower of the Saipem 7000.
S43	Cargo barge.
S44	Cargo barge for launching platforms of up to 30,000 tonnes.
S45	Cargo barge for launching platforms of up to 20,000 tonnes.
S46	Cargo barge.
S47	Cargo barge.
S 600	Cargo barge for launching platforms 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.
Firenze FPSO	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 focused on the execution of large projects with a high degree of complexity in terms of engineering, technology and operations, with a strong bias towards challenging projects in difficult environments and remote areas.

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

Market conditions

More than half of the projects awarded globally were in the Asia-Pacific region (mainly Australia, Indonesia, South Korea and India) and in the Middle East (Saudi Arabia, followed by Iraq and the United Arab Emirates). Latin America (Mexico, Venezuela and Brazil) saw the largest increase in investments in the past year. In North America, project awards followed two distinct trends: while Canada was among the biggest investors globally, new awards in the United States were low in spite of the increasing availability of oil and gas from non-conventional sources. However, precisely this increasing availability of raw materials, together with the number of projects already planned in the United States, promises significant growth in awards in the short to medium term in the segments of treatment, distribution (pipelines, liquefaction plants for gas exports) and internal use (refining, petrochemicals and fertilisers).
In the **upstream** segment, the number of approved projects was down significantly after years of large investments, particularly in the Middle East (mainly Saudi Arabia, the United Arab Emirates, Kuwait and Qatar) and North America (mainly Canada). However, the segment has good potential for development in the short to medium term in connection with the continuous gas and oil field discoveries (and subsequent development thereof) and, in particular, with the need to replace and/or maintain the production levels of gradually depleting fields.
The active areas in 2012 were the Middle East (Iraq and Kuwait), Asia-Pacific (Australia and Indonesia), West Africa (Nigeria), North America (Canada) and, marginally, Europe (Italy). In Iraq in particular, after years of uncertainty due to political instability, during 2012 the first EPC projects were awarded in the segment (West Qurna 2, Zubair and Badra).
In Canada and Venezuela, the development of non-conventional oil fields continues to be sustained by oil prices that are sufficiently high to make new projects profitable.
In North America, the increasing development of non-conventional gas fields is revolutionising the region's energy policies. The American revolution could become a global one and possibly lead to new and consistent projects in the medium to long term, a prospect which is confirmed by the increase in planned investments in the past year, especially in North America, the Middle East and Asia-Pacific. It is estimated that the non-conventional gas fields located in the rest of the world are enormous, with China, the United States, Argentina, Mexico, Australia, Canada, Libya, Algeria, Brazil and Poland possessing the largest technically recoverable reserves.
As the determining factor in the **pipeline** segment is the abundance of available gas, the majority of the projects awarded in 2012 are new gas pipelines or expansions of existing gas pipelines. The largest EPC contract acquired in 2012 was the project for a gas pipeline in Canada (Coastal Gaslink Project) destined to supply an LNG plant still in the award phase. Other important acquisitions were made in Latin America (Mexico) and the Middle East (the United Arab Emirates). Overall, the value of awards in 2012 was below expectations, but the short- to medium-term prospects for acquiring new projects remain good, especially considering the significant number of projects planned in North America (Canada and the United States), Asia-Pacific (mainly China and India), the Middle East (Iraq, where existing pipelines are being expanded) and in the CIS (Russia).
2012 saw an increase in demand for **LNG**, due in part to Japan's gradual replacement of nuclear energy in favour of gas. In May, the last of the country's 54 nuclear power stations was shut down and of these just 2 have recently been started up again. Although the new government seems in favour of nuclear power, the stations closed cannot be started up until the relevant authority sets new safety rules, which are expected to be issued in 2013. Moreover, even assuming government backing for nuclear energy, ensuring that all power stations met the new standards would delay a return to pre-tsunami gas consumption levels by several years.
In terms of awards, the LNG segment was characterised by the acquisition in Australia of the blockbuster LNG Ichtys project and another important EPC project in Malaysia, thus confirming the widespread interest in the area on account of the numerous fields available and their relative proximity to Asian markets.
Future projects announced during 2012 open up interesting prospects, especially in North America, Africa and Asia-Pacific. Most investments should be in the Asia-Pacific region (Australia and Papua New Guinea), Africa (Nigeria and Mozambique), North America (the United States and Canada) and the CIS (Russia).
In the short term, there are prospects in Canada for the award of LNG plants for the export of gas to Asian countries. This would reduce the risk of a surplus caused by a reduction of Canadian gas

consumption in the United States where increasingly demand is being met by the offer of non-conventional domestic gas.
In any event, the future energy policies of Canada and the United States with regard to the use of the gas produced will be crucial in either shifting or consolidating current supply and demand balances in the gas market.
2012 was a positive year in **refining**, which saw an increase in the number of projects approved compared to the previous year. Most investments are in the Middle East (Saudi Arabia first and foremost with the complexes in Jazan, Yanbu, Rabigh and Sadara, but also the United Arab Emirates and Iraq), Latin America (Venezuela and Brazil), Asia-Pacific (South Korea and Indonesia), the CIS (Russia and Turkmenistan), Europe (Bulgaria) and North America (Canada).
An increase in the demand for oil products, coupled with growth in the value of planned projects is making the refining segment a more attractive prospect and driving expectations for a rise in the number of approvable projects in the short to medium term. Interesting projects have been announced in various geographical areas, including Asia-Pacific (China and India), the Middle East (Kuwait, Saudi Arabia and Iraq), North America (Canada), Latin America (Brazil) and Africa (Egypt, South Africa, Mozambique, Angola and Nigeria). Important acquisitions may also be a possibility in the CIS (Russia).
Furthermore, the progressive rationalisation of technically obsolete small refineries is continuing in compliance with increasingly stringent environmental laws which have hit OECD countries in particular. The end result of this process of renovation may be the replacement of the older inefficient plants with medium-large modern refineries.
In 2012, the value of investments in the **petrochemical** sector returned to pre-crisis levels after a period of low acquisitions which lasted 4 years. The cyclical nature of investments that characterises this segment saw a collapse in 2008-2009, followed by sluggish growth beginning in 2010 and proceeding through 2011, to acquisition levels that have more than tripled over the last 12 months. The success of the petrochemical sector was due to contracts for large complexes awarded in the Middle East (Kemya, Petro-Rabigh and Sadara in Saudi Arabia, and other plants in Qatar and Oman), North Africa (Egypt), Latin America (Mexico), Asia-Pacific (India) and North America (United States).
Estimates of growth in demand for the main petrochemical products are positive. This is especially true in the case of ethylene, for which the forecasts for growth were supported by expectations of continuous plant utilisation rates. The combination of these two factors justifies optimism for a positive period for investments. The most interesting areas in terms of planned projects are the Asia-Pacific region (mainly China) and the Middle East (the United Arab Emirates, Saudi Arabia and Qatar). North Africa (Egypt and Algeria) also remains interesting, as does the potential for growth of the sector in the American market.
2012 was also a year of important awards in the **fertiliser** segment, where levels of acquisitions grew rapidly, making 2012 the best of the last 5 years. Important EPC contracts were awarded in Asia-Pacific (Bangladesh, China and Australia), Africa (Gabon and Nigeria), Latin America (Brazil) and the Middle East.
The segment was also characterised by lower value contract acquisitions for the expansion of complexes and/or the modernisation of existing facilities.
The short- to medium-term prospects for new awards continue to be positive, in view of the forecasts of growth in global fertiliser demand, with an increasing number of new projects planned. The majority of projects are located in Asia-Pacific (mainly China and India), Africa (Nigeria) and Latin America (mainly Venezuela and Brazil). North America comes under the sphere of potentially interesting areas for the acquisition of new contracts due to the abundance of resources from non-conventional oil and gas fields developed over the past few years.
Finally, the rapid economic development occurring in the emerging countries is creating an important new market for large-scale civil and port infrastructures which Saipem is targeting, especially in the strategic regions.

New contracts

The most significant contracts awarded to the Group during 2012 were:
- the SSAGS (Southern Swamp Associated Gas Solution) contract in Nigeria, comprising engineering, procurement, construction and commissioning of compression facilities at 4 sites and of new central gas production facilities at one of these which will treat the associated gas;
- for Saudi Aramco and Sumimoto Chemical, the EPC contract for the Naphtha and Aromatics Package of the Rabigh II project in Saudi Arabia. The scope of work includes the engineering, procurement and construction of 2 processing units: a naphtha reformer unit and an aromatics complex;
- for Transportadora de Gas Natural Norte - Noroeste (Transcanada), the EPC contract in Mexico, comprising engineering, procurement and construction of a pipeline from El Encino (Chihuahua State) to Topolobampo (Sinaloa State);
- for the Emirate of Makkah Province, procurement, installation, construction and assistance during the commissioning of a new rainwater drainage system, serving the northern side of the City of Jeddah;
- for Gladstone LNG Operations Pty Ltd, an expansion to the scope of work on the Santos GLNG Gas Transmission Pipeline project, encompassing the engineering, procurement and construction of a subsea tunnel across a swampy area;
- for the Shell Petroleum Development Co, an EPC contract on the Otumara-Saghara-Escravos Pipeline Project in Nigeria,

encompassing the engineering, procurement, fabrication and commissioning in a swampy area of a network of pipelines which will connect the client's flow stations in the Otumara, Saghara and Escravos fields.

Capital expenditure

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

Work performed

The biggest and most important projects underway or completed during 2012 were:

In Saudi Arabia:
- for Saudi Aramco, construction continued on the **Manifa Field** contract for the manufacture of gas/oil separation trains at the Manifa Field in Saudi Arabia. The project encompasses the engineering, procurement and construction of 3 gas/oil separation trains, gas dehydration, crude inlet manifolds and the flare system;
- for the Emirate of Makkah Province, procurement and construction work continued on the **Stormwater Drainage Program - Package 8** project, encompassing procurement, installation, construction and assistance during the commissioning of a new rainwater drainage system, serving the northern side of the City of Jeddah;
- for Safco, work started on the **Safco V** contract, which encompasses the engineering, procurement and construction of an urea production plant, together with associated utilities, off-site systems and interconnecting structures to existing plants;
- for Saudi Aramco and Sumitomo Chemical, work commenced on the contract for the Naphtha and Aromatics Package of the **Rabigh II** project. The scope of work includes the engineering, procurement and construction of 2 processing units: a naphtha reformer unit and an aromatics complex.

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

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

In Kuwait:
- construction work concluded on the contract for KOC (Kuwait Oil Co) for the replacement of the compressor systems at its **Gathering Centres 07**, **08** and **21** in the southern part of the country. The scope of work consisted of engineering, procurement, the demolition and disposal of existing facilities, construction, installation, commissioning, as well as the training of personnel for 3 new compressors;
- construction work is being completed for Kuwait Oil Co (KOC) on the **BS 160** contract, which encompasses the engineering, procurement, construction and commissioning of a new gas booster station consisting of 2 trains for gas compression and dehydration. The gas will be subsequently conveyed to the Mina Al Ahmadi refinery;
- activities continued on the **BS 171** contract for Kuwait Oil Co (KOC), which encompasses the engineering, procurement and construction of a new booster station comprising 3 high- and low-pressure gas trains for the production of dry gas and condensate.

In Morocco, for Tangier Mediterranean Special Agency, in a joint venture with Bouygues Travaux Publics and Bouygues Maroc, work continued on a contract for the expansion of the Port of Tangiers.

In Algeria, for Sonatrach:
- construction activities are nearing completion 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 northeast coast of the country;
- construction work continued on the **LNG GL3Z Arzew** EPC contract, which comprises engineering, procurement and construction of a liquefaction plant and the construction of utilities, a generator unit and a jetty;
- work continued on the contract for the construction of infrastructure for an LPG treatment plant in the **Hassi Messaoud** oil complex. The contract comprises the engineering, procurement and construction of 3 LPG trains;
- construction work 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 future developments of the Central Area Field Complex. The contract encompasses the engineering, procurement and construction of the natural gas gathering and treatment plant and related export pipelines.

In Nigeria:
- work has been completed for Total Exploration and Production Nigeria Ltd - TEPNG (operator of the joint venture NNPC/TEPNG) on the **OML 58 Upgrade** contract which comprised 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 continued for ChevronTexaco on the EPC-type **Escravos GTL** project. The plant will comprise 2 parallel trains;
- work is near completion for the Nigerian National Petroleum Corp (NNPC)/Chevron joint venture on the **Olero Creek Restoration** project, which includes the refurbishment of production facilities in the Olero Creek swamp area in Delta State;
- work continued for the Government of Rivers State on the contract for the engineering, procurement and construction of the first and second train of the **Independent Power Plant at Afam**;
- work continued on the contract for the construction of the **Otumara-Saghara-Escravos** gas pipeline for Shell Petroleum Development;
- work commenced for Exploration and Production Nigeria Ltd (TEPNG) on the **Northern Option Pipeline** project, comprising engineering, procurement, construction and commissioning of a pipeline that will connect Rumuji to Imo River;
- work commenced on the **SSAGS (Southern Swamp Associated Gas Solution)** contract in Nigeria, comprising engineering, procurement, construction and commissioning of compression facilities at four sites and of new gas central production facilities at one of these, which will treat the associated gas.

In Congo, work continued for Port Autonome de Pointe-Noire on the project for the reconstruction and extension of the **Pointe-Noire** Container Quay. The contract encompasses the engineering, procurement and construction of a combi-wall quay and accessory facilities.

In Italy:
- construction continued for the Eni Refining & Marketing Division in connection with the first industrial scale application of Eni **Slurry Technology** (EST), as part of the project for the construction of a refinery at Sannazzaro. EST – to whose development Saipem made a significant contribution – has the capacity to convert almost completely heavy oil residues into lighter products;
- for Rete Ferroviaria Italiana SpA (Ferrovie dello Stato Group) in Italy, work is underway on the contract for the detailed engineering, project management and construction of a 39 km section of **high-speed railway line** and of an additional 12 km of interconnections with the existing conventional railway, along the Treviglio-Brescia section across the Milan, Bergamo and Brescia provinces, as well as all associated works, such as power lines, works to reduce road interference, road crossings and environmental mitigation.

In Poland, engineering work continued for Polskie LNG on the **Polskie** contract for a re-gasification terminal on the northwest coast of the country. The contract encompasses the engineering, procurement and construction of the regasification facilities, including 2 liquid gas storage tanks.

In Canada:
- work continued on the **Sunrise** EPC contract for Husky Oil, which encompasses the engineering, procurement and construction of the Central Processing Facilities, comprising 2 plants;
- works are underway for Canadian Natural Resources Ltd in the Athabasca region (Alberta) on the engineering, procurement and construction of a secondary upgrader plant, under a contract included in the **Horizon Oil Sands - Hydrotreater Phase 2** project.

In Colombia, construction of a jetty on the **Puerto Nuevo** project was completed for Atlas.

In Mexico, work continued for PEMEX on the **Tula and Salamanca** contract for the construction of two desulphurisation units and two amine regeneration units to be built at two of the client's refineries, Miguel Hidalgo (located 2,000 metres above sea level near the town of Tula), Antonio M. Amor (located 1,700 metres above sea level near the town of Salamanca).

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

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

Offshore Drilling

General overview

At year end 2012, the Saipem offshore drilling fleet consisted of 18 vessels, divided up as follows: seven deep water units for operations at depths in excess of 1,000 metres (the drillships Saipem 10000 and Saipem 12000 and the semi-submersible drilling rigs Scarabeo 5, Scarabeo 6, Scarabeo 7, Scarabeo 8 and Scarabeo 9); two for mid water operations at depths of up to 1,000 metres (the semi-submersible drilling rigs Scarabeo 3 and Scarabeo 4); three high specification jack-ups for operations at depths from 300 to 450 feet (Perro Negro 6, Perro Negro 7 and Perro Negro 8); five standard jack-ups for activities at depths of up to 300 feet (Perro Negro 2, Perro Negro 3, Perro Negro 4, Perro Negro 5 and Ocean Spur); and one barge tender rig (TAD). All units are the property of Saipem, with the exception of the jack-up Ocean Spur, which is on lease from third parties. The fleet also includes other minor units operating mainly offshore Peru and Libya. 2012 saw the entering into service of Scarabeo 9 (completed at the end of 2011) and Scarabeo 8 (completed in April 2012). Both vessels are latest generation semi-submersible rigs for deep water operations.
In 2012, Saipem's offshore drilling fleet operated in the Norwegian sector of the North Sea and the Barents Sea, in the Mediterranean Sea, the Red Sea, the Persian Gulf, offshore Cuba, Ecuador and Peru.

Market conditions

The period saw a consolidation of the favourable trends that emerged during 2011 in the Offshore Drilling sector that was driven in particular by the deep water Golden Triangle (Brazil, the Gulf of Mexico and West Africa), new discoveries in East Africa and the recovery of the jack-up sector.
With a significant increase in floater units compared with the previous year, deep water activities in the Gulf of Mexico registered continuous growth that went hand in hand with a recovery in the permitting pace after the 2010 moratorium, which augurs well for a return to pre-Macondo levels of activity. Similarly, the offshore market outside the Gulf of Mexico continued to experience a positive phase. Areas such as the east coast of Africa, Latin America and the Angolan Pre-Salt fields have been of interest and were particularly active.
Vessel utilisation rates remained close to peak. As regards the floaters segment, the drillships enjoyed near full utilisation, especially in the Gulf of Mexico, South America and West Africa, while the semi-submersibles recorded high utilisation rates which were in excess of 90% in West Africa and above all in Northern Europe. Utilisation rates of jack-ups were up compared to 2011 in both the high spec and standard segments.
Day rates for all types of vessel remained good, slightly up compared to 2011.

As regards the construction of new vessels, at the end of December 2012 there were 120 units under construction, consisting of 30 drillships (50% of which have already been contracted for operations to be performed immediately following their entry into service), 9 semisubs and 81 jack-ups. Conditions on the market in 2012 even saw interest in outdated units no longer at the technological cutting edge, which benefited from favourable circumstances in several geographical areas, especially the Gulf of Mexico. At the same time, there is growing attention towards the new frontiers in offshore drilling, such as operations in Arctic environments and the development of new technologies for the deep and ultra-deep water sector.

New contracts

The most significant contracts awarded to the Group during 2012 were:
- for Statoil, the three-year lease of the semi-submersible drilling rig Scarabeo 5 beginning in the third quarter of 2014, for drilling operations in the Norwegian sector of the North Sea;
- a fifteen-month extension of the charter by Eni of the semi-submersible drilling rig Scarabeo 7 for operations in Indonesian waters;
- a two-year extension, starting from the fourth quarter of 2012, of the charter by Eni of the jack-up Perro Negro 8 for drilling operations in the Adriatic off the coast of Italy;
- an extension of the charter by Addax Petroleum of the semi-submersible drilling rig Scarabeo 3 in Nigeria;
- for the National Drilling Co (NDC), the charter of the Perro Negro 3 for drilling activities offshore Abu Dhabi, for a period of 3 years starting from the first quarter of 2013;
- for EP Petroecuador, the charter in Ecuador of the jack-up Ocean Spur, a rig owned by Diamond Offshore Services Co, which will be operated for 18 months starting from the fourth quarter of 2012;
- a three-year extension of the charter by Petrobel of the jack-up Perro Negro 4 for drilling operations in Egypt;
- an eighteen-month extension, starting from the second quarter of 2012, of the charter by the National Drilling Co (NDC) of the jack-up Perro Negro 2 offshore Abu Dhabi;
- the charter by HOEC (Hindustan Oil Exploration Ltd) of the jack-up Perro Negro 3 for drilling operations in Indian waters for a period of between 4 to 6 months;
- for Gaz de France Suez, the charter of the semi-submersible drilling rig Scarabeo 4, to be engaged in drilling activities offshore Egypt for a period of 3 months during the fourth quarter of 2012. Scarabeo 4, which is currently under contract with International Egyptian Oil Co (IEOC), will be chartered by Gaz de France Suez under a contract assignment.

Capital expenditure

The main investments in Offshore Drilling during 2012 were:
- completion in April of the semi-submersible drilling rig Scarabeo 8. The unit entered into service in May in the Barents Sea as part of a long-term contract with Eni;
- completion in December of upgrading works on the semi-submersible drilling rig Scarabeo 6, following which the vessel will be capable of operating in water depths in excess of 1,000 metres;
- extraordinary maintenance operations on the semi-submersible drilling rig Scarabeo 3;
- class reinstatement works and investments on the fleet to ensure compliance with international regulations and to customise vessels to client-specific requirements.

Work performed

In 2012, Saipem's offshore units drilled 109 wells totalling 193,866 metres.

The fleet was deployed as follows:
- deep water units: the drillships **Saipem 12000** and **Saipem 10000** continued to operate in Angola and Mozambique respectively on long-term contracts with Total Exploration & Production and Eni; the semi-submersible rig **Scarabeo 9** operated in the offshore Caribbean for Repsol, Petronas and PDVSA and in November 2012 moved to West Africa to work for Eni on a long-term contract; the semi-submersible rig **Scarabeo 8** entered into service in April and commenced activities in the Norwegian sector of the Barents Sea on behalf of Eni Norge; the semi-submersible rig **Scarabeo 7** continued operations offshore Angola for Eni Angola; the semi-submersible rig **Scarabeo 6** operated in Egypt for Burullus and from the end of April underwent upgrading works which ended at the beginning of December, after which it began to operate again for the same client towards the end of the month; the semi-submersible rig **Scarabeo 5** continued to operate in the Norwegian sector of the North Sea for Statoil with a brief interlude for work on behalf of Eni Norge;
- mid water units: the semi-submersible rig **Scarabeo 4** continued activities in Egypt on a contract for International Egyptian Oil Co (IEOC), and also operated for Gaz de France Suez; the semi-submersible rig **Scarabeo 3** continued operations offshore Nigeria for Addax in the first part of 2012; the vessel then underwent class reinstatement works, at the end of which it moved to Gabon to commence activities for Harvest;
- high specification jack-ups: the **Perro Negro 8** continued to work in Italy for Eni's Exploration & Production Division; the **Perro Negro 7** continued operations on behalf of Saudi Aramco in the Persian Gulf, while the **Perro Negro 6** operated in Angola on behalf of Sonangol and Eni Angola, then proceeding to work for Chevron on a long-term contract, again in Angola;
- standard jack-ups: the **Perro Negro 5** and the **Perro Negro 2** continued operations in the Persian Gulf on behalf of Saudi Aramco and National Drilling Co (NDC), respectively; the **Perro Negro 4** continued work in the Red Sea for Petrobel and the **Perro Negro 3** concluded operations in the Persian Gulf for Harrington Dubai and began work in India for Hindustan Oil Exploration Co (HOEC); finally, the **Ocean Spur**, an unit operated by Saipem but owned by third parties, began operations in Ecuador on behalf of Petroecuador;
- other activities: in the Congo, the **TAD** unit continued work for Eni Congo SA and management of the Loango-Zatchi platforms also proceeded; activities continued offshore Peru for BPZ Energy and for Savia, in this latter case with vessels owned by the client and operated by Saipem; offshore Libya operations with the **5820 packaged installation** were completed on behalf of Mabruk Oil Operations.

Utilisation of vessels

Vessel utilisation in 2012 was as follows:

Vessel	Days under contract
Semi-submersible platform Scarabeo 3	170 (1)(2)
Semi-submersible platform Scarabeo 4	360 (1)
Semi-submersible platform Scarabeo 5	360 (2)
Semi-submersible platform Scarabeo 6	136 (1)(2)
Semi-submersible platform Scarabeo 7	366
Semi-submersible platform Scarabeo 8	241
Semi-submersible platform Scarabeo 9	348
Drillship Saipem 10000	366
Drillship Saipem 12000	351 (2)
Jack-up Perro Negro 2	284 (1)
Jack-up Perro Negro 3	245 (1)(2)
Jack-up Perro Negro 4	366
Jack-up Perro Negro 5	366
Jack-up Perro Negro 6	366
Jack-up Perro Negro 7	366
Jack-up Perro Negro 8	357 (2)
Tender Assisted Drilling Unit	366

(1) For the remaining days (to 366), the vessel underwent class reinstatement works.
(2) For the remaining days (to 366), the vessel underwent maintenance following the emergence of technical issues.

Onshore Drilling

General overview

In 2012, the number of onshore drilling rigs increased to 106, of which 97 are owned by Saipem (including 5 under construction) and 9 by third parties (but operated by Saipem). The areas of operations were South America (Peru, Bolivia, Brazil, Colombia, Ecuador and Venezuela), Saudi Arabia, the Caspian (Kazakhstan), Africa (Algeria and the Congo) and Europe (Italy and Ukraine).

Market conditions

In 2012, the Onshore Drilling sector continued the positive trend of 2011, mainly due to the increase in exploration projects and the stability of oil prices.
In the United States, the increase in investments in percentage terms compared to 2011 was modest, while the number of rigs used remains substantially the same, with day rates rising. The disparity between the price of oil and that of gas determined a shift in the attention of North American operators from shale gas (located mainly in the Haynesville, Marcellus and Barnett fields) towards shale oil (in the Permian basin). In Canada, the reduction in new wells drilled in 2012 and the subsequent abandonment of those already existing led to a drop in gas production, which in turn caused a slowdown in drilling activities and a reduction in operational rigs.
Internationally, drilling levels remained good. The most dynamic areas from an investment perspective, and with a good increase in operational rigs, were the Asia-Pacific region, Latin America and Saudi Arabia. There was a positive growth trend in day rates through the year.

New contracts

The most significant contracts awarded to the Group during 2012 were:
- contracts with Saudi Aramco for the three-year lease of 14 rigs and a five-year lease for 1 rig in Saudi Arabia;
- contracts with Eni Exploration & Production and Total Italia for the use of a rig in Italy for an overall duration of 2 years;
- a two-year extension of the lease by Repsol of a helicopter-portable rig for operations in the Amazon Forest in Peru;
- a contract with South Rub Al-Khali Co (SRAK) for the two-year lease of a rig in Saudi Arabia;
- contracts with Sonatrach for the lease of 2 rigs for a duration of 1 year each in Algeria;
- the one-year lease by Total of a rig in Mauritania;
- a one-year contract with Karachaganak Petroleum Operating (KPO) for the use of a rig in Kazakhstan;
- the eight-month lease by Ural Oil of a rig for drilling operations in Kazakhstan;
- contracts of varying durations and with various clients for drilling operations in South America.

Capital expenditure

Capital expenditure in the Onshore Drilling sector included:
- the purchase of a new rig which began operations in Saudi Arabia in the second half of 2012 for Saudi Aramco;
- completion of the construction of a new rig destined for operations in South America for Repsol;
- beginning of investments in 5 new rigs destined for operations in Saudi Arabia for three-year contracts already in the backlog;
- upgrading and integration works on rigs and installations to maintain operational efficiency.

Work performed

Onshore Drilling comprised 374 wells, totalling approximately 953,022 metres drilled.
In South America, Saipem operated in various countries: in **Peru** work was carried out for a number of clients, among whom Repsol, Petrobras, Pluspetrol, Petrominerales, Talisman, Savia and Interoil, with the use of 18 of the company's own rigs and the operation of 6 supplied by clients; in **Bolivia**, 2 rigs were used for work on behalf of YPFB Andina and Pluspetrol and 2 newly built rigs began operations for Repsol; in **Brazil**, the 3 rigs present in the country continued operations for Petrobras; 1 of these was moved to Chile once its contractual obligations had been fulfilled; in **Colombia** work proceeded for various clients, among whom Petrominerales, Hocol, Equion, Schlumberger Surenco and Ecopetrol, using 7 rigs; in **Ecuador**, 4 rigs were operative for a number of clients, among whom Repsol, Tecpetrol, Petrosud and Petroamazonas; finally, activities in **Venezuela** for PDVSA, proceeded with the deployment of 28 rigs.
In **Saudi Arabia**, drilling operations continued for Saudi Aramco and South Rub Al-Khali Co (SRAK) using 12 rigs.
In the Caspian region, Saipem operated in **Kazakhstan** for various clients, such as KPO, Agip KCO, Zhaikmunai and United Oregen, using 5 of its own rigs (2 of which entered into service during 2012) and 3 supplied by a partner.
In North Africa, the company worked in **Algeria** for Groupement Sonatrach Algérie, Gazprom, PTTEP and Repsol using 7 rigs. In the latter part of the year, a rig located in Algeria commenced relocation to Mauritania where it will carry out work on behalf of Total. In West Africa, Saipem continued operations in the **Congo** on behalf of Eni Congo SA using 2 of its own rigs and operating 1 rig owned by the client.

In **Italy**, 1 rig was used for operations carried out on behalf of Total Italia in Tempa Rossa (Basilicata) and Eni Exploration & Production in Trecate (Novara).
In **Ukraine**, Saipem operated 1 rig on behalf of Cadogan and Shell.

Utilisation of rigs

Average utilisation of rigs was 97.2% (96.1% in 2011). At December 31, 2012, company-owned rigs amounted to 92 (plus 5 under completion), located as follows: 28 in Venezuela, 18 in Peru, 12 in Saudi Arabia, 7 in Colombia, 6 in Algeria, 5 in Kazakhstan, 4 in Bolivia, 4 in Ecuador, 3 in Brazil, 2 in the Congo, 1 in Italy, 1 in Ukraine and 1 in Mauritania.
In addition, 6 third-party rigs were deployed in Peru, 3 by the joint venture company SaiPar in Kazakhstan and 1 in the Congo.

Financial and economic results

Results of operations

Saipem Group - Income statement

Year 2011	(€ million)	Year 2012	% Ch.
12,593	**Net sales from operations**	**13,369**	**6.2**
21	Other revenues and income	10	
(8,729)	Purchases, services and other costs	(9,131)	
(1,750)	Payroll and related costs	(2,041)	
2,135	**Gross operating profit (EBITDA)**	**2,207**	**3.4**
(642)	Depreciation, amortisation and impairment	(726)	
1,493	**Operating profit (EBIT)**	**1,481**	**(0.8)**
(133)	Net finance expense	(148)	
19	Net income from investments	16	
1,379	**Profit before income taxes**	**1,349**	**(2.2)**
(392)	Income taxes	(393)	
987	**Profit before minority interest**	**956**	**(3.1)**
(66)	Net profit attributable to minority interest	(54)	
921	**Net profit**	**902**	**(2.1)**

Net sales from operations for 2012 amounted to €13,369 million, up 6.2% compared to 2011. This was due to greater volumes generated by the Offshore Engineering & Construction and Offshore Drilling sectors.

Gross operating profit (EBITDA) amounted to €2,207 million, up 3.4% versus 2011.

Depreciation and amortisation of tangible and intangible assets amounted to €726 million, a significant increase (13%) compared with the previous year, mainly due to new rigs beginning operations, particularly in the Offshore Drilling sector.

Operating profit (EBIT) for 2012 stood at €1,481 million, down €12 million (-0.8%) over the previous year. This figure is analysed in detail in the subsequent sections describing the performance of the various business units.

Net finance expense increased by €15 million compared with 2011, mainly due to a reduction in capitalised expenses and to higher average debt in the year.

Net income from investments amounted to €16 million, a decrease compared with 2011, as a result of the successful completion of a project by an associate company.

Profit before income taxes stood at €1,349 million, down 2.2% versus 2011.

Income taxes amounted to €393 million, an increase of €1 million compared to 2011. This was due to the combined effect of a decrease in taxable income and an increase in the tax rate, which rose from 28.4% in 2011 to 29.2% in 2012.

Net profit totalled €902 million, down 2.1% versus 2011.

Operating profit and costs by function

Year 2011	(€ million)	Year 2012	% Ch.
12,593	**Net sales from operations**	**13,369**	**6.2**
(10,608)	Production costs	(11,360)	
(134)	Idle costs	(154)	
(158)	Selling expenses	(160)	
(12)	Research and development costs	(15)	
(4)	Other operating income (expenses)	(11)	
(184)	General and administrative expenses	(188)	
1,493	**Operating profit (EBIT)**	**1,481**	**(0.8)**

In 2012, the Saipem Group achieved **net sales from operations** of €13,369 million, an increase of €776 million compared to the previous year.
Production costs (which include direct costs of sales and depreciation of vessels and equipment) totalled €11,360 million (€10,608 million in 2011). This rise was in line with the increase in sales volumes.
Idle costs increased by €20 million. Selling expenses of €160 million showed a €2 million increase versus the previous year. Research and development costs of €15 million and general and administrative expenses of €188 million were slightly higher than the previous year's figures.
Operating profit (EBIT) was down 0.8% compared to 2011.

The breakdown by business sector is as follows:

Offshore Engineering & Construction

(€ million)	Year 2011	Year 2012
Net sales from operations	5,075	5,356
Cost of sales	(4,134)	(4,393)
Gross operating profit (EBITDA)	941	963
Depreciation and amortisation	(255)	(273)
Operating profit (EBIT)	686	690

Revenues for 2012 amounted to €5,356 million, a 5.5% increase compared to 2011, mainly due to higher levels of activity in the Middle and Far East.
The increase in operating activities caused the cost of sales to rise by 6.3% compared to 2011 to €259 million.
Depreciation and amortisation rose by €18 million compared to 2011, mainly due to the entering into service of the new FPSO unit.
Operating profit (EBIT) for 2012 amounted to €690 million, equal to 12.9% of revenues, compared to €686 million, equal to 13.5% of revenues, in 2011. Meanwhile, the gross profit margin (EBITDA) stood at 18%, down 0.5% compared to the previous year.

Onshore Engineering & Construction

(€ million)	Year 2011	Year 2012
Net sales from operations	5,945	6,175
Cost of sales	(5,427)	(5,747)
Gross operating profit (EBITDA)	518	428
Depreciation and amortisation	(35)	(33)
Operating profit (EBIT)	483	395

Revenues for 2012 amounted to €6,175 million, a 3.9% increase compared to 2011, mainly due to higher levels of activity in the Middle East and North America.
The cost of sales of €5,747 million also increased compared with 2011, in line with the rise in revenues.
Depreciation and amortisation dropped by €2 million compared with 2011.
Operating profit (EBIT) in 2012 amounted to €395 million, versus €483 million in 2011, with the margin on revenues falling from 8.1% to 6.4%. The gross profit margin (EBITDA) stood at 6.9%, compared with 8.7% in 2011.

Offshore Drilling

(€ million)	Year 2011	Year 2012
Net sales from operations	833	1,088
Cost of sales	(390)	(510)
Gross operating profit (EBITDA)	443	578
Depreciation and amortisation	(221)	(285)
Operating profit (EBIT)	222	293

Revenues for 2012 amounted to €1,088 million, a 30.6% increase on 2011, mainly attributable to the deployment of the semi-submersible rigs Scarabeo 8 and Scarabeo 9 (under construction during 2011), which offset the downtime registered on the semi-submersible rig Scarabeo 6 due to upgrading works.
The cost of sales increased by 30.8% versus 2011, in line with the increase in volumes during the year.
Depreciation and amortisation increased by €64 million versus 2011, due to new vessels entering into service.
Operating profit (EBIT) in 2012 amounted to €293 million, versus €222 million in 2011, with the margin on revenues rising from 26.7% to 26.9%.
Meanwhile, the gross profit margin (EBITDA) increased slightly to 53.1% from 53.2% in the previous year.

Onshore Drilling

(€ million)	Year 2011	Year 2012
Net sales from operations	740	750
Cost of sales	(507)	(512)
Gross operating profit (EBITDA)	233	238
Depreciation and amortisation	(131)	(135)
Operating profit (EBIT)	102	103

Revenues for 2012 amounted to €750 million, up 1.4% compared to 2011, due mainly to the full scale operation of rigs in South America.
The cost of sales increased by 1% compared to 2011.
The increase in depreciation and amortisation was due to new rigs entering into service.
Operating profit (EBIT) in 2012 amounted to €103 million, versus €102 million in 2011, with the margin on revenues down slightly from 13.8% to 13.7%.
Meanwhile, the EBITDA margin stood at 31.7%, compared with 31.5% in 2011, owing mainly to increased operational efficiency and to greater utilisation of rigs.

Consolidated 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 3 basic areas: operating, investing and financing. Management believes that the reclassified consolidated balance sheet provides useful information in assisting investors to assess Saipem's capital structure and to analyse its sources of funds and investments in fixed assets and working capital.

(€ million)	Dec. 31, 2011		Dec. 31, 2012	
Net tangible assets		8,024		8,254
Net intangible assets		752		756
		8,776		**9,010**
- Offshore Engineering & Construction	*3,851*		*4,064*	
- Onshore Engineering & Construction	*464*		*513*	
- Offshore Drilling	*3,550*		*3,535*	
- Onshore Drilling	*911*		*898*	
Investments		102		116
Non-current assets		**8,878**		**9,126**
Net current assets		**(663)**		**922**
Provision for employee benefits		(200)		(217)
Capital employed, net		**8,015**		**9,831**
Shareholders' equity		4,709		5,405
Minority interest		114		148
Net borrowings		3,192		4,278
Funding		**8,015**		**9,831**
Leverage (net borrowings/shareholders' equity including minority interest)		**0.66**		**0.77**
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 60.

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

Non-current assets at December 31, 2012 stood at €9,126 million, an increase of €248 million compared to December 31, 2011. This increase is due to capital expenditure and investments in participating interests of €1,016 million, depreciation and amortisation of €726 million, disposals of fixed assets and write-offs of €15 million, disposals of investments in participating interests of €1 million, €15 million from the increase in carrying value of investments accounted for using the equity method, and negative effects totalling €41 million deriving mainly from the translation of financial statements in foreign currencies and other changes.

Net current assets increased by €1,585 million from negative €663 million at December 31, 2011 to positive €922 million at December 31, 2012. This was due to an increase in working capital owing to the contractual payment terms of some projects underway, to contracts signed and awaiting payment or to ongoing negotiations of scope of work variations related to contracts under completion.

The **provision for employee benefits** amounted to €217 million, an increase of €17 million compared with December 31, 2011.

As a result of the above, **net capital employed** increased by €1,816 million, reaching €9,831 million, compared with €8,015 million at December 31, 2011.

Shareholders' equity, including minority interest, increased by €730 million to €5,553 million at December 31, 2012, versus €4,823 million at December 31, 2011. This increase reflected net profit for the year of €956 million and the positive effects of changes in the fair value of exchange rate and commodity hedging instruments of €107 million, partially offset by dividend distribution of €330 million, and by the translation into euro of financial statements expressed in foreign currencies and other variations amounting to €3 million.

The increase in net capital employed, which was greater than that in shareholders' equity, led to a growth in net borrowings. At December 31, 2012, these stood at €4,278 million, an increase of €1,086 million compared with €3,192 million at December 31, 2011.

Analysis of net borrowings

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Financing receivables due after one year	(2)	(1)
Payables to banks due after one year	200	200
Payables to other financial institutions due after one year	2,376	3,343
Net medium/long-term debt	**2,574**	**3,542**
Accounts c/o bank, post and Group finance companies	(1,022)	(1,320)
Cash and cash on hand	(7)	(5)
Financing receivables due within one year	(75)	(79)
Payables to banks due within one year	94	211
Payables to other financial institutions due within one year	1,628	1,929
Net short-term debt	**618**	**736**
Net borrowings	**3,192**	**4,278**

A breakdown by currency of total borrowings, amounting to €5,683 million, is provided in note 14 'Short-term financial liabilities' and note 19 'Long-term financial liabilities and current portion of long-term debt'.

Statement of comprehensive income

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Net profit for the year	**987**	**956**
Other items of comprehensive income:		
- change in the fair value of cash flow hedges [1]	(69)	131
- investments carried at fair value	(1)	-
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	45	(33)
- income tax relating to other items of comprehensive income	6	(24)
Other items of comprehensive income	**(19)**	**74**
Total comprehensive income	**968**	**1,030**
Attributable to:		
- Saipem Group	897	979
- minority interest	71	51

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

Shareholders' equity including minority interest

(€ million)	
Shareholders' equity including minority interest at December 31, 2011	**4,823**
Total comprehensive income	1,030
Dividend distribution	(330)
Sale of treasury shares	29
Other changes	1
Total changes	**730**
Shareholders' equity including minority interest at December 31, 2012	**5,553**
Attributable to:	
- Saipem Group	5,405
- minority interest	148

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

	Shareholders' equity		Net profit	
(€ million)	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**
As reported in Saipem SpA's financial statements	**1,314**	**1,644**	**520**	**437**
Difference between the equity value and results of consolidated companies and the equity value and results of consolidated companies as accounted for in Saipem SpA's financial statements	2,976	3,458	340	596
Consolidation adjustments, net of effects of taxation:				
- difference between purchase cost and underlying book value of shareholders' equity	826	818	(1)	(5)
- elimination of unrealised intercompany profits	(350)	(402)	(53)	(18)
- other adjustments	57	35	181	(54)
Total shareholders' equity	**4,823**	**5,553**	**987**	**956**
Minority interest	(114)	(148)	(66)	(54)
As reported in the consolidated financial statements	**4,709**	**5,405**	**921**	**902**

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 period. The measure enabling such a link is represented by the free cash flow, which is the cash in excess of capital expenditure requirements. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the 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)	2011	2012
Net profit	921	902
Minority interest	66	54
Adjustments to reconcile cash generated from operating profit before changes in working capital:		
Depreciation, amortisation and other non-monetary items	627	742
Net (gains) losses on disposal and write-off of assets	2	4
Dividends, interests and income taxes	483	507
Net cash generated from operating profit before changes in working capital	**2,099**	**2,209**
Changes in working capital related to operations	(174)	(1,434)
Dividends received, income taxes paid, interest paid and received	(376)	(551)
Net cash flow from operations	**1,549**	**224**
Capital expenditure	(1,106)	(1,015)
Investments and purchase of consolidated subsidiaries and businesses	(93)	(1)
Disposals	18	8
Other cash flow related to capital expenditures, investments and disposals	49	-
Free cash flow	**417**	**(784)**
Borrowings (repayment) of debt related to financing activities	(52)	(4)
Changes in short and long-term financial debt	20	1,419
Sale of treasury shares	11	29
Cash flow from capital and reserves	(297)	(352)
Effect of changes in consolidation and exchange differences	-	(12)
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**99**	**296**
Free cash flow	**417**	**(784)**
Sale of treasury shares	11	29
Cash flow from capital and reserves	(297)	(352)
Exchange differences on net borrowings and other changes	(60)	21
CHANGE IN NET BORROWINGS	**71**	**(1,086)**

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 60.

Net cash flow from operations of €224 million only partially funded capital expenditures, thus generating a negative free cash flow of €784 million.
Cash flow from capital and reserves, which amounted to a negative €352 million, were due to the payment of dividends. The sale of treasury shares for incentive schemes for managers generated a positive cash flow of €29 million, while the effect of exchange differences on net borrowings and other changes produced a positive net effect of €21 million.
Net borrowings therefore increased by €1,086 million.

In particular:
Net cash generated from operating profit before changes in working capital of €2,209 million related to:
- net profit for the period of €956 million, including minority interest of €54 million;
- depreciation, amortisation and impairment of tangible and intangible assets of €726 million, the change in the provision for employee benefits (€17 million) less other changes of €1 million;
- net gains on the disposal of assets, which had a positive effect of €4 million;

- net financial expenses (€114 million); income taxes (€393 million).

The negative change in working capital related to operations of €1,434 million was due to financial flows of projects underway.

Dividends received, income taxes paid, interest paid and received during 2012 of €551 million were mainly related to taxes paid and refunded and to the purchase and sale of tax credits.

Capital expenditure in 2012 amounted to €1,015 million. Details of investments by sector are as follows: Offshore Engineering & Construction (€525 million), Offshore Drilling (€284 million), Onshore Drilling (€122 million) and Onshore Engineering & Construction (€84 million). Additional information concerning capital expenditure in 2012 can be found in the 'Operating review' section.

Cash flow generated by disposals amounted to €8 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 €2,308 million at December 31, 2011 and to €920 million at December 31, 2012.

		2011	2012
Adjusted net profit	(€ million)	987	956
Exclusion of net finance expense (net of tax effect)	(€ million)	96	107
Unlevered adjusted net profit	(€ million)	1,083	1,063
Capital employed, net:	(€ million)		
- at the beginning of the year		7,417	8,015
- at the end of the year		8,015	9,831
Average capital employed, net	(€ million)	7,716	8,923
Adjusted ROACE	(%)	**14.0**	**11.9**
Return On Average Operating Capital	(%)	**20.0**	**14.6**

Net borrowings and leverage

Saipem management uses leverage ratios to assess the soundness and efficiency of the Group's capital structure in terms of an optimal mix between net borrowings and shareholders' equity, and to carry out benchmark analyses against industry standards.

Leverage is a measure of a company's level of indebtedness, calculated as the ratio between net borrowings and shareholders' equity, including minority interest. Management's objective is to achieve a leverage ratio of no higher than 0.5 during the period of implementation of the four-year plan.

	2011	2012
Leverage	0.66	0.77

Sustainability

Saipem undertakes to manage its operations in a sustainable and responsible way, to promote dialogue and to consolidate relations with its stakeholders, a vital foundation for the construction of shared value that contributes to the socio-economic development of the areas in which it operates, above all through a strategy of local content.

Measuring value creation in local communities

Saipem's sustainability strategy focuses above all on the maximisation of local content, which means facilitating the transfer of knowledge and professional development with a view to creating job opportunities, increasing entrepreneurial skills and achieving growth in local human capital.

Saipem is committed to leveraging and quantifying its real contribution to the socio-economic development of local communities.
For this reason, in 2012 the SELCE Model (Saipem Externalities Local Content Evaluation) was applied to an analysis of operations in France, Indonesia and Angola. The Model consists of a methodology that facilitates analysis and quantification of value generated (direct, indirect and induced effect, measured in terms of economic value, employment and human capital development) by the local content strategy over a given time frame and in a specific geographical situation. Since 2009 the SELCE model has been applied in Kazakhstan, Angola, Peru, Algeria, Nigeria, France and Indonesia, and has been placed at the disposal of clients for several projects.
In 2012, Saipem completed a study based on the SROI (Social Return On Investment) method applied to activities of the operating company Saipem Indonesia Karimun Branch. The study measures the social value generated by Saipem's activities in the specific social and economic context of Karimun (where an investment was made in a large fabrication yard) and the perception of this value as measured through analysis of the local context and stakeholder involvement. The results of the study were shared with the authorities and with other local stakeholders.

Sustainability reporting

For the second successive year, Saipem opted, based on materiality analyses and benchmarking of competitors, the company's main clients and financial stakeholders, to report on its sustainability activities through two complementary publications. In order to ensure transparent disclosure and facilitate comparison with other actors present on the market, the document 'Sustainability Performance 2012' is published as an Addendum to this Annual Report. 'Sustainability Performance' is drafted in accordance with the international guidelines of the Global Reporting Initiative (GRI - version G3). It describes the Group's sustainability objectives and performances in 2012, including detailed qualitative and quantitative information and yearly comparisons.

The second document published is 'Saipem Sustainability 2012', which aims to describe commitments undertaken, initiatives concluded and the results obtained by Saipem in relation to themes considered material by its stakeholders, above all local content, understood as a tool for ensuring a concrete contribution to the development of host communities and areas. This vital theme is referred to and treated transversally, and in some detail, in various sections of the document: 'People: our success driver', 'Building a sustainable supply chain', 'Living together with local communities', 'Global company, global integrity', 'Health & Safety: key principles in Saipem's operations' and 'Environmental protection: delivering a sustainable future'.
The document also contains numerous country focuses which testify to the concrete realisation of sustainability strategies on operating sites. Furthermore, for the third year running, Saipem has called upon the services of a panel of external and independent experts to provide comments on the quality of reporting and on the company's sustainability initiatives and strategy.

During the year, Saipem continued communications targeted mainly at local stakeholders in the form of 'Country Reports' and 'Project Reports', ad hoc documents on key countries or significant projects. 'Country Reports' on Qatar and the Congo were published during 2012, the latter in both English and French.

Local Community initiatives

Local sustainability projects, as well as stakeholder engagement and interaction initiatives, proceeded in 2012 in the areas where Saipem operates, in particular those in which the company already has or expects to have a long-term presence. The main areas of intervention were in entrepreneurial and local skills development. The principal aim of these initiatives was to increase employment opportunities and income generated by local activities. They also sought to bring improvements to the education and health systems by means of interventions on specific facilities or targeted campaigns and initiatives, sometimes in partnership with local institutions. Also worthy of note is the implementation of numerous initiatives for environmental conservation and preservation through cleaning, restoration and awareness raising campaigns.

Research and development

Saipem continued in 2012 to develop distinctive solutions in the most technologically advanced market sectors. Activities included work on reducing the environmental impact of installation operations, improving proprietary process technologies, extending the company's portfolio of environmental services, developing the onshore and offshore renewable energy sector, and nurturing high-level technological projects in conjunction with research centres and other industry players.

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

Now nearing conclusion, the second JIP (Joint Industry Project) on the patented 'Multipipe gas/liquid gravity separation system' is supported financially by three major oil companies. The aim of the project was the definition of the entire subsea station for two cases of application, and at assessing the maturity of all its individual components, with a particular focus on construction.

Construction of a reduced scale model of the 'liquid/liquid gravity spool separation system' is close to completion, and 3-phase hydraulic testing will start in early 2013.

Work continued on the design of subsea produced water solutions with the start-up of deep-water systems for the treatment of water for injection.

In the SURF area, further studies were carried out on innovative solutions identified in previous years. These promise to open up new markets for the company in terms of subsea field development. In addition, developments focusing on subsea flowline heating were initiated.

For deep and ultra-deep water applications, the qualification of innovative buoyancy and thermal insulation materials is being pursued. Further analyses on new deep and ultra-deep riser concepts were performed and their relevancy and feasibility confirmed. The development of a J-lay installation method adapted to plastic lined pipe was also initiated.

As regards active heating of flowline, a technical assessment of traced heating technologies was performed and the adaptation of this device to J-lay is being studied.

In the field of innovative floaters and associated systems, efforts in 2012 were focused on new solutions for FLNGs. The qualification process for an LNG tandem offloading system commenced.

In the sealine trenching area, work continued on the mitigation of the environmental impact of operations and the restoration of marine protected areas. Experiments at sea of Posidonia transplantation techniques produced the first positive results and monitoring activities are ongoing. A study on satellite surveying of the environmental impact of subsea trenching operations was concluded with good results.

Studies on a new subsea pipeline trenching and installation method with a very low environmental impact are near conclusion, while others are continuing on the development of systems for measuring the burial depth of pipelines after they have been laid in trenches.

As a result of the positive results achieved last year with the new welded joint coating system for subsea pipeline construction operations, work to extend the method to other situations is proceeding and the first validation tests on critical components produced good results. Preliminary analysis of the application of a highly productive pipeline welding process on-board pipelay vessels is producing good results and, with this, great expectations. Preparation of a new stainless steel pipeline welding system on the open sea has been completed.

Offshore pipe recognition through RFID technology is now in deployment stage on-board a pipelay vessel following a positive test campaign. Other feasibility studies on automatic recognition of pipe geometric features during pre-fabrication are nearing completion, as are studies to increase the level of equipment safety during laying operations.

Work to increase the vessel's maximum pipe pulling capacity and to monitor its integrity during laying phase is ongoing. To this end, a test site was set up for the development and validation of a new instrument for the remote measurement of the pipe's internal ovalisation during laying. Developments and experiments in relation to the critical components of a system to prevent flooding of the pipe during laying phase continued on various fronts.

As regards subsea operations, developments of the pipe repair system continued with the aim of extending its applicability to hydrosulfuric acid rich environments, while work to develop a method for sealine repair (suitable also for construction) without a traditional telescopic joint is ready for the test phase. Meanwhile, a study on the reduction of hydroacoustic impact during subsea pile driving operations was concluded.

Studies were performed during the year on developing systems capable of an emergency response in the event of oil spills from exploration and production facilities.

Process development activities focused on the achievement of continuous improvements in the environmental compatibility of proprietary 'Snamprogetti Urea' fertiliser production technology, licensed to date to 127 units world-wide, including the license recently issued for the world's largest single train ammonia-urea complex (4,000 tonnes of urea per day).

Much effort is being put into minimising the environmental impact of urea plants (Urea Zero Emission). Cooperation with the University of Bologna has been activated with a view to validating technological components developed by third parties for inclusion in 'Zero Emission' process flow diagrams.

Validation of the updated mathematical model for the high pressure section of urea plants has been completed. The model may now be used to evaluate new process improvements.
In the carbon dioxide capture and storage sector, Saipem continued to provide technical support to Eni by leading the capture team on the 'CO_2 Capture Project' (CCP), a collaborative initiative between oil companies targeting a reduction of capture costs through the development of novel technologies. The in-house software TOUGHREACT-TMGAS has been updated to include the ability to simulate flux and reactivity of carbon dioxide currents containing several typical impurities after injection into a storage reservoir.

The Life Cycle Assessment (LCA) is a methodology for evaluating the environmental impact of a product, a system or a process along its entire life cycle. The database specific to Oil&Gas processes, developed by Saipem in 2011, has been successfully applied to a complete LCA study to analyse and quantify environmental performances related to the extraction and upgrading of oil sands in the Congo.

Completion of the BONSAI procedure was the main achievement in the field of environmental remediation. BONSAI involves the selection of remediation technologies on the basis of the criteria of environmental sustainability indicated in the guidelines issued by the US Environmental Protection Agency (EPA).

In the renewable energy sector, and in particular offshore technologies, a feasibility study was completed on a wave-powered generator and results were presented at a major Oil&Gas conference. Furthermore, Saipem's technological Innovation and Development team continues to provide support for commercial initiatives on offshore wind power projects for the main players in the energy industry.

The development of large scale electricity storage is proceeding with tests of storage materials at high temperature.

Quality, Health, Safety and Environment

Quality

2012 saw the ongoing improvement of the processes of Quality Assurance, Project Quality Management and Quality Control for the business areas.
The following specific initiatives were pursued during the year.

System Quality:
- definition of an integrated management model for Onshore and Offshore E&C systems and support for the standardisation of the individual processes of which it is composed;
- development of an integrated set of Corporate Standards that render Group Quality Assurance and Quality Control activities more homogeneous;
- definition of a certification model by a third party body for the new Corporate Governance Model;
- application to Corporate and to individual operating companies of the methodology designed to manage lessons learned;
- issuing of a new Corporate Standard for Document System Structure and Management (DSSM) which is also applicable to the Document Management Systems of the Saipem fleet.

Project Quality Management:
- integration of the Project Quality Management methodologies for projects and issuing of the first Corporate Standards;
- application to projects of the new Project Quality Management reporting system;
- definition of new Quality Roles (Job Codes) for project resources;
- updating of the Document Systems used on vessels in line with the new Corporate DSSM.

Quality Control:
- implementation of standardised Quality Control Plans for Onshore and Offshore E&C projects;
- completion of qualification of NDT Phased Array methodologies on the Canadian fabrication yard and their consolidation on the Petromar and Star fabrication yards;
- implementation of a portal for monitoring blow-out preventer (BOP) systems used on Onshore Drilling projects;
- development and implementation of criteria for the maintenance and testing of BOP systems used on drilling projects;
- application on all yards of the specific Quality Control requirements deriving from the experience gained on the Shah project and subsequent reorganisation of Quality Control teams;
- organisation and delivery of training sessions for the development of specific Quality Control skills on the Brazilian and Karimun yards;
- definition of roles and responsibilities for welding activities through a specific ‘Welding Responsibility Matrix’ to be shared with all company departments involved.

Safety

The Total Recordable Incident Frequency Rate (TRIFR) in 2012 was 1.06, better than both the 1.30 recorded in 2011 and the target of 1.235. Despite this positive trend, three fatal accidents occurred in 2012.

Activities and initiatives carried out in 2012 with the aim of maintaining high workplace health and safety standards included:
- maintenance of ISO 14001 (Environment) and OHSAS 18001 (H&S) certifications issued by Det Norske Veritas (DNV) and their extension to Saipem Corporate, the Engineering & Construction BU and Integrated Projects;
- renewal of basic training of all employees following the entering into force of the State-Regions Agreement. As of December 2012 the course had been delivered to 3,800 people;
- the launch of the new ‘Delphi’ software which aims to standardise and share teaching materials, know-how and information on training;
- the development of ‘NIKE’ software as a support tool for the selection and issuing of the most suitable PPE (Personal Protective Equipment) on the basis of (a) professional role, (b) the risk category to which the person is exposed and (c) the weather conditions prevailing during operations;
- ongoing dissemination of the ‘Leadership in Health and Safety’ programme. Activities performed include the delivery of workshops for managers, the supply of instruments for the issuing of cascading events to all employees, and training sessions on the ‘Five Stars’ safety intervention method. The ‘Leading Behaviours’ campaign, begun in 2011 and implemented in dozens of Saipem sites around the world, proceeded apace in 2012. 2012 also saw the completion of a film that will form part of a health and safety campaign in 2013.

Environment

The following environmental initiatives were pursued during 2012:
- promotion of the latest environmental campaign topic with the title ‘Ecological footprint minimisation’. The campaign invites everybody to reduce their own personal ecological footprints and impact on the planet;

- start of review and updating of the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001 in light of the new 'Environmental Crimes' introduced by recent legal reforms;
- publication of 4 issues of the environmental magazine 'eNews', which illustrates the principal environmental initiatives relating to the world of Saipem. 'eNews' focuses on technical aspects of environmental issues with the aim of sharing best practices and increasing the environmental culture and awareness of personnel in a continuous way;
- delivery of training courses of a general nature regarding the control of environmental operations and more specific courses designed to improve waste management;
- a specific Case Study was commenced for the protection of water resources, involving the collection of data and the highlighting of critical issues and best practices.

Health

As regards health:
- a total of 5,734 preventive medical fitness check-ups were carried out in 2012 for Italian and international personnel; 882 people required further examination and 27 were alcohol and drug tested;
- the drive to raise vaccine awareness proceeded throughout the year, in particular in relation to mandatory vaccines for Italian and foreign sites;
- the programme for validating 'pre-travel' health and training protocols was completed with the Università Cattolica in Rome. The epidemiological study of GIPSI (Computer Management of Individual Health Services) data commenced in conjunction with the Università La Sapienza in Rome;
- work related stress assessment terminated at offices and headquarters and the same assessment commenced on Italian worksites;
- following the positive outcome of the 'BE.ST' pilot programme, the initiative was renamed 'H-factor' (Health factor). The initiative will be implemented on all Saipem sites where medical personnel are present and anywhere meals are served;
- in line with international days celebrated by the World Health Organisation, Saipem organised events on tuberculosis, malaria, hypertension, diabetes, AIDS, the fight against smoking and support for blood donors;
- a new and updated edition of 'About heart, with heart...' was issued and distributed to all employees. Alongside the risk factors of cardiovascular disease, the new edition contains indications to be adopted by children to help them avoid future heart problems;
- a pilot teledermatology programme was launched with Saipem Nigeria through which patients with skin disorders can receive expert opinions without having to be present in person at the check-up, since the necessary documentation can be sent on-line.

Human resources

Workforce

Growth of the workforce continued, moving from 40,830 resources (of whom 17,679 with critical skills) in 2011 to 44,980 (of whom 18,025 with critical skills) and the end of 2012.
The number of women managers also increased in 2012 by 0.4% and that of local managers by 1.1%.

Payroll

In line with employment dynamics, the value of the payroll increased to €2,041 million at the end of 2012 compared to €1,750 million in 2011. This was due mainly to a variation in the mix of resources, which led to a pro-capita increase from €43.7 thousand in 2011 to €48.3 thousand in 2012.

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.
The company's industrial relations model has focused on ensuring harmonisation and optimal management of relations with trade unions and employers' associations, as well as with political institutions and public bodies.
2012 saw various issues negotiated with national representatives of trade union organisations from the Energy, Maritime and Metal-Mechanical sectors.
In the second half of 2012, the national Oil & Energy collective bargaining was renewed for Saipem metal-mechanical and plant installation workers in the Arbatax yard. As regards renewal of the national contract that affects Saipem's maritime personnel, negotiations will recommence in 2013.
In the first half of 2012, following the temporary shut-down of a plant in the second half of 2011, agreement was reached with the unions to manage the lack of work by means of careful planning of holidays, the using up of accumulated days and the temporary reallocation abroad of some resources.
Saipem signed a transitional agreement with the trade unions regarding productivity and profitability in Eni in connection with the award in 2013 of the participation bonus for 2012.
Within a framework of efficiency and alignment of management processes, an important agreement was signed in 2012 with the various workers' unions which set down rules and responsibilities regarding planning of holidays.
The company functions with responsibility for monitoring trade union events in the various geographical and operational contexts have been following the positive developments of contract renewal negotiations for personnel in the construction sector in Nigeria, as well as those covering personnel in the subsidiary ER SAI in Kazakhstan.
Finally, Saipem representatives attended the annual Eni European Works Council meeting held in Vienna in June 2012.

Human resources management

The operational and organisational complexity of Saipem is such that the Human Resources Management unit has taken on an increasingly critical role in the timely processing of data, information and analysis in support of its strategic decision-making processes and the definition of action plans.
In this perspective, and in continuity with its activities and initiatives set in motion during the previous year, the HR Management department pressed on with the continuous improvement of its operating processes and the development of analysis and reporting models designed to ensure accurate monitoring of human resources phenomena. It also worked to define an action plan aimed at achieving a greater degree of efficiency and efficacy, particularly in terms of critical human resources phenomena such as holiday, overtime, working hours and absenteeism.
Within the broader framework of the innovative initiatives it has set in motion, and in line with its remit of steering, coordination and control, the HR Management unit has developed and continues to develop additional IT applications and other information tools designed to ensure increased integration and greater support for secondary Human Resources offices (at Business Unit and geographical level, both in Italy and elsewhere), with the overall aim of obtaining an increasingly homogeneous approach to HR issues.
At the end of October 2012, with the launch of the HR Management Portal, the HR Management department achieved its objective of introducing a web based tool capable of integrating data from various information systems and of performing analyses and overviews of company staff. The portal has the aim of sharing and leveraging knowledge, experience and work tools to facilitate an enhanced level of communication and interaction within the HR professional family.
In order to ensure the availability of a further tool to support international mobility processes, especially given their strategic importance for Saipem's business, in the second half of the year the HR Management unit began to develop an information tool, the

'Country card', which can be accessed via the web. This is a repository for storing and making available, both centrally and in branches, updated facts and figures on socio-economics, labour laws, trade unions, taxes and social security matters for each country in which Saipem operates.
It is expected that this platform will be used as the sole communication channel through which (a) directives and policies decided upon at Corporate level will be diffused, (b) data and information needed for specific locally conducted surveys will be gathered and (c) a stronger connection and integration between the central structure and branches will be ensured.
An additional objective of the project is to raise awareness within the HR departments of Saipem branches of the company's international assignment policies and methods.
In addition, with the aim of ensuring effective and efficient interfacing as well as integration and data exchange with Eni's non-management personnel administration function (which since 2011 has been responsible for providing Group personnel administration services), a module has been devised within Saipem's personnel management application GHRS (Global Human Resources System).
Training for Human Resources, Organisation and ICT staff on the principal aspects of labour, tax, social security and immigration law continued with a view to ensuring further consolidation and expansion of specialist skills in personnel management and administration. Following the satisfactory results achieved with Saipem's Italian based staff, training sessions were also designed and organised for their international HR colleagues. These constituted an additional tool for sharing knowledge and developing integrated, uniform and homogeneous praxes and methods of human resources management.
The completion of a comparative analysis of expatriate procedures and practices adopted in Saipem companies in Italy and abroad (the main outcome of which was the consolidation and standardisation of international mobility policies), a process of analysis and benchmarking of international employee assignment models and practices used in major companies comparable with Saipem in terms of size and geographical location was commenced with a view to achieving alignment with best market practices.

Organisation

In order to reply effectively and quickly to changing market scenarios, and in a perspective of maximising efficiency and profitability in the various business areas, Saipem focused its attention on the analysis and subsequent redefinition of work processes and the optimisation of organisational structures and set-ups both in Italy and elsewhere.
Following an initial period of application of the operating model resulting from the integration of Onshore and Offshore activities, a series of analyses were carried out to assess the suitability of the organisational structure of the Engineering & Construction Business Unit to changing business needs. Subsequently interventions were made to review the commercial and project execution functions, the model adopted for the management and coordination of geographical areas and the strengthening of Saipem's position on the floaters market.
Specifically, a new commercial model was defined to ensure an effective approach to the client at local level. The geographical remit of the Business Unit was reoriented in a local direction in countries characterised by a significant presence of National Oil Companies. This was done by giving the Country Manager the role of sole interface for the promotion and acquisition of Onshore and Offshore business in the country. Project execution activities were reorganised by reinforcing the role of central guidance and coordination over traditional Offshore projects. This was achieved by assigning responsibility for the overall result to the Offshore Project Execution function. Furthermore, with a view to ensuring more efficient governance of project execution and capitalisation of experiences, the Project Execution functions have been assigned an Execution Manager, a resource exercising authority and control over specific business and geographical areas.
Finally, interventions carried out in the Offshore Engineering & Construction Business Unit saw the creation of the Floaters Business Line in order to pursue a more timely and coordinated development of the floaters business. The new organisational structure will act as the profit centre responsible for the acquisition and execution of business and for overall governance of the network of organisations and competences available in the various branches of the Group.
Towards the end of the year, the Drilling Business Unit began to report to the Deputy CEO and was reorganised to focus more on asset structures.
The Procurement function has been reorganised with a view to providing an effective response to Business Unit needs. A new model involving dedicated structures within each of the BUs was adopted, while a review of the operating model for Post Order activities was carried out so as to improve the management of Saipem's strategic supply markets and optimise the project-based management of procurements and operating efficiency.
Outside Italy, adaptation of company structures to the model defined for the Engineering & Construction Business Unit continued, in particular with respect to Saipem sa, Saipem do Brasil, Saipem Contracting Algérie SpA, Saipem Contracting Nigeria Ltd and Saipem India Projects Ltd.
Furthermore, studies were carried out in 2012 to define solutions for the overall optimisation and recovery of efficiency at country level, and to improve Saipem's Internal Control and Risk Management System.
In proceeding with the review of the company's system of regulations and procedures, the function oversaw the issuing of Management System Guidelines (MSG) for the following processes: Commercial - Technology Research and Development - Procurement - Material Management - Security - HSE - ICT Process - Human Resources - Tax - Insurance - Transactions Involving the Interests of Directors and Statutory Auditors and Transactions with Related Parties - Internal Control over Financial Reporting - Anti-corruption.

Personnel selection and training

To ensure a high degree of market competitiveness while at the same time maintaining the company's levels of excellence, Saipem's selection activities target personnel offering extensive and relevant professional experience and capabilities. With a view to developing and fostering precisely such capabilities, Saipem has also devised a series of initiatives for Italian universities (using targeted employer branding schemes), and for the country's top secondary level technical schools.
As regards collaborative initiatives with Italian universities, in September 2011 Saipem began the Master's Degree in 'Safety and Environmental Protection in the Oil&Gas Industry' with the University of Bologna. The course, which is for 12 students, aims to develop the technical and professional skills needed to carry out roles in the area of health, safety and environment. The eight-month course is broken down into a teaching phase at the University, and on-the-job training in Saipem as a preparatory period to employment.
Taking its cue from developments in the worlds of industry and education, Saipem aims to build lasting relations with Italy's technical institutes in order to strengthen its image, cultivate an awareness of its business activities and enhance its ability to attract young school leavers and influence their training paths. These activities come under the 'Synergy' project launched with the technical schools 'A. Volta' in Lodi and 'E. Fermi' in Lecce.
An intensive technical-professional training programme targeted at young school leavers, designed to develop and consolidate the capabilities required to cover a series of roles that are critical to Saipem's business, was held once again with the same aims.
The management of the selection and recruitment process has been influenced by a growing attention towards legal and Internal Control Model compliance. The year in fact saw the completion of the development and implementation of a software application designed to ensure accurate monitoring of this process with a view to assessing its effectiveness and efficiency in line with compliance requirements and guidelines emerging from within and outside the company.
Training initiatives for the members of the Compliance Committee of subsidiaries also continued during 2012, as did those for Employers, Safety Managers, Safety Supervisors and Officers regarding safety legislation introduced under Legislative Decree No. 81/2008.
An internationally oriented programme on Business Leadership aimed at a number of critical roles, such as Project Director and Area Manager, was successfully organised in conjunction with Eni Corporate University and various other Eni Group companies.
In order to respond to the need for innovation and cost control during the design phase, a dedicated workshop for engineers was organised.
In line with the key elements of the Employee Value Proposition, such as the value of training and the development of skills characterised by high levels of know-how and specialisation, training projects were targeted at the consolidation and optimisation of technical roles deemed critical for Saipem's business. To this end, an interdepartmental project called 'Training matrix' was carried out to analyse, map and define training and professional certification programs. The aim of the project is to ensure both continued professional excellence and the upkeep of the high standards demanded by clients through the monitoring of technical and professional know-how and HSE training.
In keeping with the goal of optimising role-specific technical know-how, the key initiative of 2012 was the upgrading of the Saipem Training Centres, global hubs whose mission is to ensure supervision and monitoring of Saipem knowledge and the promotion of training courses structured according to the needs of each role.

(units)	Average workforce 2011	Average workforce 2012
Offshore Engineering & Construction	13,336	13,973
Onshore Engineering & Construction	16,242	16,817
Offshore Drilling	1,655	2,368
Onshore Drilling	5,823	7,162
Staff positions	3,332	2,234
Total	**40,388**	**42,554**
Italian personnel	7,204	7,379
Other nationalities	33,184	35,175
Total	**40,388**	**42,554**
Italian personnel under open-ended contract	6,222	6,405
Italian personnel under fixed-term contract	982	974
Total	**7,204**	**7,379**

(units)	Dec. 31, 2011	Dec. 31, 2012
Number of engineers	7,355	7,699
Number of employees	40,830	44,980

With regard to overseas employees, local content initiatives are currently being implemented in Kazakhstan and Saudi Arabia with the aim of increasing the use of local resources in technical roles in the Offshore and Drilling E&C sectors. Specifically, an agreement was reached with the government in Saudi Arabia whereby Saipem will act as the partner in a local school where resources are trained to fill roles typical of the Drilling sector. Meanwhile, selection and recruitment initiatives were implemented in Angola and in the Karimun Yard to develop and support the growth of local resources to fill critical positions. These included the creation of technical and professional training programmes relating to offshore operations, construction, fabrication, drilling and business support services such as project control and quality assurance.
Saipem has confirmed its strong interest in countries such as Brazil and Canada, where business development activities were flanked by an intensification of employer branding and resource attraction, retention and engagement initiatives. In the Guarujá Yard in Brazil, important modular training plans combining theory and practice commenced for prefabrication and fabrication technical staff.

Development and compensation

Saipem confirmed the strategic nature of development activities, as it continued with the diffusion of the 'People Strategy' and the 'Employee Value Proposition' in both line structures and foreign companies and by adapting its employee facing communications tools in line with the Saipem message. The company also continued its analysis and redefinition of a number of development tools with the aim of improving processes and creating integration between them. Specifically, the processes of Performance Management and Skills & Competences Assessment are currently undergoing review.
A two-year Engagement Analysis was commenced at the end of 2012 with the objective of monitoring levels of motivation and obtaining indications on areas of strength and criticality towards which to direct improvement measures.
In line with the Corporate Governance Code, a Nomination Committee was set up within the Compensation Committee. A structured methodology was implemented to define succession management in relation to the company's strategic positions.
Market trends and global economic conditions during the year dictated once again a cautious, differentiated approach to the definition of compensation policies. Indeed, the particularly critical economic and financial context in Europe and Italy, and the impact of this on the compensation market, required implementation of an even more rigorous pay policy compared to previous years due to the extraordinary characteristics of the year. Accordingly, variable incentive plans and retention systems, which continued to be subject to careful analysis and rationalisation, are being adopted on a selective basis, taking into account the specific characteristics of international 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, were confirmed in 2012 for Italian and international managerial resources.
Individual annual monetary incentives, which were based on actual 2011 management performance, were paid out in March to 216 Italian senior managers (72% of the total as of March 1), with a total cost outlay of €7,244,500 (22.3% of total compensation at January 1, 2012). The new targets for 2012 for the same population of senior managers were also defined.
Additionally, July 2012 saw the allocation of deferred monetary incentives to 212 senior managers (73% of all senior managers as of July 1), with a total cost outlay of €4,155,500.
In order to boost the motivation of critical management resources, guarantee Saipem's long-term performance and keep the compensation package in line with the market average, the Board of Directors reaffirmed the long-term monetary scheme for critical managerial resources. The scheme was implemented in October 2012 for 70 Italian senior managers (22.8% of Italian managerial resources), with a total cost outlay of €2,558,500.
Furthermore, in compliance with legal obligations pursuant to Article 123-*ter* of Legislative Decree No. 58/1998 and Article 84-*quater* of the Consob Issuers Regulation, the '2012 Compensation Report' was drafted. This document was approved by Saipem's Board of Directors on March 13, 2012 and published on the company's website.
The report comprises 2 separate sections. The first sets out the 2012 Guidelines adopted by Saipem for the compensation of company directors and senior managers with strategic responsibilities, the general aims pursued, the actors involved in the policy setting process and the procedures employed to adopt and implement it, while the second section describes the compensation actually paid to directors, statutory auditors and senior managers with strategic responsibilities during 2011.
The Shareholders' Meeting of April 27, 2012 approved the first section of the Report.

Internal communications

A number of internal communications initiatives were carried out in 2012 with a view to increasing the employee's sense of belonging to the company.
Among these was the event 'Free Entrance' held in September which involved the main Italian offices. Over 1,000 employees and their families took part.
The Annual Meeting in December was well attended by people in the main Italian offices. It could also be followed via a live video stream. The theme of the evening was the history of Saipem, its past successes and the value of this tradition as a stimulus for looking to the future, a topic developed through a video story titled 'Taking Root and Wing'.
The Welcome Kit for new employees was completed. This is a collection of information and tools that help people taking their

first steps in the complex world of Saipem to find their way around in a simple and direct way.
The company's intranet portal continued to be expanded and currently reaches over 20,000 users throughout the world. In particular, functionalities were introduced to facilitate sharing of know-how and promote an interactive approach with the tool.

The implementation of new instruments for improved dissemination of information rounds off activities for 2012. This included the web TV system currently being tried out in the San Donato Milanese offices with an experimental programme schedule, which will be extended to other premises in Italy in the near future.

Information technology

Information, Communication, Technologies

2012 saw a consolidation of the results achieved through the change initiatives implemented on the company's central information systems in recent years, but also the development of a number of new business-related initiatives which will play a role in future change activities.
The long term change plan for SAP R/3 was completed during the period and the functionalities offered by release 6.0 – Material Ledger in particular – are currently being rolled out in Group companies and in branches set up according to the Eurobranch model. In addition, the roll out of SAP was commenced at Saipem do Brasil in response to the growing importance of the company's initiatives in Brazil, and at Saipem Drilling Norway AS. The roll out of SAP in Saipem do Brasil should be completed by the first half of 2013. It includes the introduction of new components for managing the local tax system.
The roll out of Material Ledger also impacts upon Spectec's AMOS asset maintenance management system. Centralisation and unification of the AMOS databases carried out in 2012 have made maintenance of the application environment much more simple and have significantly reduced the system downtime required for upgrades.
The partnership with Oracle Corp in the HR area relating to the Peoplesoft-GHRS application continued during 2012, while the initiatives launched in 2011 as part of the OSA (One Step Ahead) project produced their first releases in 2012 in the area of compensation. The revised plan includes a series of additional releases during 2013 and a release upgrade in 2014. The new functionalities due for release are designed to render the application environment more usable for both line management and personnel alike through the deployment of a self-service style approach.
The roll out of the Saipem-developed international payroll solution continued apace with the payrolls of Saipem companies in Luxembourg, Saudi Arabia, Algeria, Nigeria, India and Singapore being completed in 2012. Meanwhile, the payrolls GPS in Brazil and the STAR consortium in Saudi Arabia are currently in the analysis phase. Contemporaneously, the ICT function has laid the foundations for the roll out of a standard solution for international HR management within Group companies. This satisfies local application and authorisation workflow requirements, and provides uniform, centralised management of master data and contract data and a wide range of operational and analytical reporting functions as well. This innovative approach will borrow from open source the methodology of sharing development between centres located throughout Saipem.
The steady improvement registered in the quality of HR data available in GHRS has facilitated the introduction of the workload management system. The initiative has been a broad success and now provides coverage of all operating areas in terms of business demand and HR capacity, corresponding to a total of over 30,000 resources managed, with all professional families working on projects covered. 2012 also saw the completion of reporting functionalities with a management dashboard released on the company data warehouse and accessible through the web and on tablet.
ICT business support activities during 2012 focused on the adoption of 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 is continuing with its strategy of reducing, where possible, the presence of customised solutions in favour of the adoption of standard platforms enhanced on the basis of continuous dialogue between supplier development centres and Saipem experts. The support provided on the Shah Gas project required, on the one hand, significant effort to ensure effective implementation of the new 3D modelling tool SmartPlant 3D, but, on the other, represented an opportunity to develop and implement new data quality control procedures. The lessons learned from this experience have been used to give a competitive edge to new projects requiring the same product.
As regards IT infrastructure, roll out of the WIE (Windows Infrastructure Evolution) project is nearing completion. This brings benefits to the company deriving from the functionalities offered by the new Microsoft platforms. The project dedicated to the structural elements of the new distributed Microsoft architecture, elements which saw the implementation of the 'single forest model', is now at an advanced stage.

Governance

The **'Corporate Governance Report and Shareholding Structure'** (the 'Report') pursuant to Article 123-*bis* of the Consolidated Finance Act has been prepared as a separate document, approved by Saipem's Board of Directors on March 13, 2013, 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. It also furnishes a profile of Saipem and the principles by which it operates, and gives information on the company's shareholding structure and its adherence to the Corporate Governance Code (including the main practices of governance applied and the key characteristics of the system of internal controls and segregation of duties). Finally, it describes the composition and operation of the administration and control bodies and their committees, roles and powers.
The report also indicates the procedures adopted with regard to 'Transactions Involving Interests Held by Board Directors and Statutory Auditors and Transactions with Related Parties', which can be consulted on Saipem's website, www.saipem.com, under the section 'Corporate Governance', as well as the communication policy for institutional investors and shareholders, and the policy regarding the disclosure of inside information.

The criteria applied for determining the remuneration of Directors are illustrated in the **'2013 Compensation Report'**, drafted in accordance with Article 123-*ter* of Legislative Decree No. 58/1998 and Article 84-*quater* of the Consob Issuers Regulation. The report is published in the 'Corporate Governance' section on Saipem's website.

Risk management

Saipem implements and maintains an adequate system of internal controls and risk management, composed of instruments, organisational structures and company regulations designed to safeguard company assets and to ensure the effectiveness and efficiency of company processes, reliable financial reporting, and compliance with all laws and regulations, the Articles of Association and company procedures. The structure of the internal control system of Saipem, which constitutes an integral part of the company's Organisational, Management and Control Model, which in turn assigns specific roles to the company's management bodies, compliance committees, control bodies, 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 executions 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 authorisation 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&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 No. 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 and 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 emphasised the importance of adopting certified organisational and management models, by establishing it as a condition for exemption from administrative 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 minimise damage in the event of an incident and responsibilities for ensuring they are taken.

(1) The Committee of Sponsoring Organisations 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. The system, which is based on an annual cycle of planning, implementation, control, review of results and definition of new objectives, is designed to achieve risk prevention and the systematic monitoring and control of HSE performance, in a cycle of continuous improvement, and is subject to audits by internal and independent experts. Saipem's facilities are certified to international standards such as ISO 14001, OHSAS 18001 and even EMAS. The Group 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 organisational or management level in order to enable the continuation of activities underway in conditions that differ from those originally anticipated. If Saipem's ability to operate is temporarily compromised, demobilisation is planned according to criteria designed to guarantee the protection of company assets that remain on-site and to minimise the business interruption by employing solutions that accelerate and reduce the cost of business recovery once favourable conditions have returned. The measures outlined above may be costly and have an impact on expected results. Further risks associated with activities in such countries are: (i) lack of well-established and reliable legal systems and uncertainties surrounding enforcement of contractual rights; (ii) unfavourable developments in laws and regulations and unilateral contract changes, leading to reductions in the value of Saipem's assets, forced sales and expropriations; (iii) restrictions on construction, drilling, imports and exports; (iv) tax increases; (v) civil and social unrest leading to sabotage, attacks, violence and similar incidents. Such events are predictable only to a very limited extent and may occur and develop at any time, causing a materially adverse impact on Saipem's financial position and results.
Saipem 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 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 organisational, 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 observed trends, aggregated by Business Unit and at global level. Implement project portfolio analyses in order to support management decisions and provide an understanding of the external macro risk factors on projects that may impact on company results so that Management can intervene by deploying the appropriate risk management tools of avoidance, mitigation, transfer and acceptance;
- assure the spread of a risk management culture within Saipem with a view to achieving structured management of risk and opportunity during business activities and contributing also to improved management of contingencies;
- provide advice, support and guidelines to the Business Units and projects in identifying and evaluating risks and opportunities and in all activities related to the implementation of mitigation and improvement measures for risk management and the optimisation of opportunities, respectively;
- define, develop and update tools and methods for collecting and organising lessons learned and making them available to projects;
- ensure adequate training and the necessary support to commercial and project management teams;
- ensure 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 requiring protection, and by promoting the sharing and centralised 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 are in line with the principal international risk management standards.

Insurance

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

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

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

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

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

Corporate insurance policies

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

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

Damage to property

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

Third-party liability

- 'Protection & Indemnity' ('P&I') policy: shipowners' liability cover through a P&I Club that is part of the International Group of P&I Clubs, up to a limit of US $5.6 billion (with a sublimit for pollution of US $1 billion) for events occurring during transit, up to US $300 million for events occurring during offshore drilling operations and up to US $500 million for events occurring during offshore construction operations.
- 'Comprehensive General Liability' policy: covers all other types of general and third party liability claims arising from Saipem's industrial activities and supplements the specific P&I coverage 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 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 2012. Saipem SpA holds treasury shares to the value of €43 million (€73 million at December 31, 2011), consisting of 1,996,482 ordinary shares (3,143,472 at December 31, 2011) with a nominal value of €1 each.
At March 13, 2013, share capital amounted to €441,410,900. On the same day, the number of shares in circulation was 439,421,568.

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, at December 31, 2012, the following 15 Saipem subsidiaries fell within the scope of application of the regulation in question:
- Petrex SA;
- Snamprogetti Saudi Arabia Co Ltd Llc;
- Saipem Contracting (Nigeria) Ltd;
- PT Saipem Indonesia;
- ER SAI Caspian Contractor Llc;
- Saipem Misr for Petroleum Services (S.A.E.);
- Saipem (Nigeria) Ltd;
- Saudi Arabian Saipem Ltd;
- Global Petroprojects Services AG;
- Saipem America Inc;
- Saipem Asia Sdn Bhd;
- Saipem Contracting Algérie SpA;
- Snamprogetti Canada Inc;
- Saipem Offshore Norway AS;
- Saipem Drilling Norway AS.

Procedures designed to ensure full compliance with Article 36 have already been adopted.
No further regulatory compliance plans are therefore scheduled for 2013.

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 organised and managed by Borsa Italiana SpA, the Board of Directors in its meeting of March 13, 2013, 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, 2013 also verified that the composition of the Board itself, as appointed by the Shareholders' Meeting of May 4, 2011, and of its internal Committees, was in accordance with letter d), paragraph 1 of Article 37. The Board is in fact made up of a majority of independent directors and the Committees (the Compensation and Nomination Committee and the Audit and Risk Committee) are composed exclusively of independent directors.

Disclosure of transactions with related parties

Transactions with related parties entered into by Saipem and identified by IAS 24 concern mainly the exchange of goods, the supply of services, and the provision and utilisation of financial resources, including entering into derivative contracts. All such transactions are an integral part of ordinary day-to-day business and are carried out on an arm's length basis (i.e. at conditions which would be applied between independent parties) and in the interest of Group companies.
Directors, general managers and senior managers with strategic responsibilities must declare, every 6 months, any transactions they enter into with Saipem SpA or its subsidiaries, directly or through a third party, in accordance with the provisions of IAS 24.
The amounts of trade, financial or other operations with related parties are provided in Note 44 to the consolidated financial statements.

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

Saipem is subject to the direction and coordination of Eni SpA. Transactions with Eni SpA and with entities subject to its direction and coordination constitute transactions with related parties and are commented on in Note 44 'Transactions with related parties' in the notes to the consolidated financial statements.

Events subsequent to year-end

New contracts

As of February 2013, new contracts have been awarded amounting to €1.8 billion: €900 million in the Onshore E&C sector and €900 million in the Offshore Drilling sector in relation to contracts detailed in the press release of February 7, 2013.

Outlook

Consistent with the press releases issued on January 29 and February 7, 2013, Saipem's management confirms that in 2013 the Saipem Group will report lower profits than in previous years. The Engineering & Construction sector will be the main contributor to this reduction and specifically the conclusion of complex and challenging projects, which benefited from Saipem's technical and operational competences; delays to similar project awards, which are now expected to take place during 2013; the effect, to be felt mainly in 2013, of low-margin contracts won in extremely competitive market conditions; and low-margin contracts needed to enter new and very challenging markets. The Drilling sector on the other hand is expected to continue the upward trend recorded in recent years, with potential for further growth. Overall, Saipem is now projecting revenues for the full year 2013 to be in the region of €13.5 billion, EBIT of €750 million, net income of €450 million and capex of €0.9-1 billion.

Committees of the Board of Directors

In compliance with the provisions of the new Corporate Governance Code for listed companies, the Board of Directors resolved to form:
- the Remuneration and Appointments Committee: the previously constituted Remuneration Committee thus takes on consultative and advisory functions vis-à-vis the Board of Directors, including as regards appointments;
- the Control and Risks Committee, whose functions have been taken on by the current Audit Committee, with the task of supporting the evaluations and decisions of the Board in relation to 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 'Operating and Financial Review' are as follows:
- cash flow: the sum of net profit plus depreciation and amortisation;
- capital expenditure: calculated by excluding investments in equity interests from total investments;
- gross operating profit: an 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 amortisation to operating profit;
- non-current assets: the sum of net tangible assets, net intangible assets and investments;
- net current assets: includes working capital and provisions for contingencies;
- net capital employed: the sum of non-current assets, working capital and the provision for employee benefits;
- total liabilities and shareholders' equity: the sum of shareholders' equity, minority interest and net borrowings.

Secondary offices

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

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

Reclassified balance sheet

(€ million)	Dec. 31, 2011		Dec. 31, 2012	
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		8,024		8,254
Note 7 - Property, plant and equipment	*8,024*		*8,254*	
B) Net intangible assets		752		756
Note 8 - Intangible assets	*752*		*756*	
C) Investments		102		116
Note 9 - Investments accounted for with the equity method	*109*		*116*	
Note 10 - Other investments	*1*		*-*	
Reclassified from E) - provisions for losses related to investments	*(8)*		*-*	
D) Working capital		(462)		1,085
Note 2 - Trade and other receivables	*3,504*		*3,252*	
Reclassified to I) - financing receivables not related to operations	*(75)*		*(79)*	
Note 3 - Inventories	*1,353*		*2,332*	
Note 4 - Current tax assets	*78*		*238*	
Note 5 - Other current tax assets	*256*		*271*	
Note 6 - Other current assets	*498*		*388*	
Note 11 - Other financial assets	*2*		*1*	
Reclassified to I) - financing receivables not related to operations	*(2)*		*(1)*	
Note 12 - Deferred tax assets	*100*		*88*	
Note 13 - Other non-current assets	*146*		*174*	
Note 15 - Trade and other payables	*(5,341)*		*(4,982)*	
Note 16 - Income tax payables	*(244)*		*(250)*	
Note 17 - Other tax payables	*(150)*		*(129)*	
Note 18 - Other current liabilities	*(506)*		*(93)*	
Note 22 - Deferred tax liabilities	*(79)*		*(122)*	
Note 23 - Other non-current liabilities	*(2)*		*(3)*	
E) Provisions for contingencies		(201)		(163)
Note 20 - Provisions for contingencies	*(209)*		*(163)*	
Reclassified to C) - provisions for losses related to investments	*8*		*-*	
F) Employee termination indemnities		(200)		(217)
Note 21 - Provisions for employee benefits	*(200)*		*(217)*	
CAPITAL EMPLOYED, NET		**8,015**		**9,831**
G) Shareholders' equity		4,709		5,405
Note 25 - Saipem shareholders' equity	*4,709*		*5,405*	
H) Minority interest		114		148
Note 24 - Minority interest	*114*		*148*	
I) Net debt		3,192		4,278
Note 1 - Cash and cash equivalents	*(1,029)*		*(1,325)*	
Note 14 - Short-term debt	*956*		*1,740*	
Note 19 - Long-term debt	*2,576*		*3,543*	
Note 19 - Current portion of long-term debt	*766*		*400*	
Reclassified from D) - financing receivables not related to operations (Note 2)	*(75)*		*(79)*	
Reclassified from D) - financing receivables not related to operations (Note 11)	*(2)*		*(1)*	
FUNDING		**8,015**		**9,831**

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 (€7 million) relating to compensation for damages (€4 million), gains on disposals of assets (€2 million) and reimbursements for services that are not part of core operations (€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;
- the items 'financial income' (€346 million), 'derivatives' (€74 million) and 'financial expenses' (-€568 million), which are indicated separately under the statutory scheme, are stated under the item 'finance (expense) income' (-€148 million) in the reclassified income statement;
- the items 'effect of accounting using the equity method' (€17 million) and 'other income (expenses) from investments' (-€1 million), which are indicated separately under the statutory scheme, are stated net under the item 'net income from investments' (€16 million) of the reclassified income statement.

All other items are unchanged.

Reclassified cash flow statement

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

- the items 'depreciation and amortisation' (€701 million), 'net impairment of tangible and intangible assets' (€25 million), 'change in the provision for employee benefits' (€17 million), 'effect of accounting using the equity method' (-€17 million) and 'other changes' (€16 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'depreciation/amortisation and other non-monetary items' (€742 million);
- the items 'income taxes' (€393 million), 'interest expense' (€127 million) and 'interest income' (-€13 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends, interests and taxes' (€507 million);
- the items regarding changes in 'trade receivables' (€233 million), 'trade payables' (€30 million), 'inventories' (-€1,000 million), 'other assets and liabilities' (-€677 million) and 'provisions for contingencies' (-€20 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' (-€1,434 million);
- the items 'interest received' (€12 million), 'dividends received' (€2 million), 'income taxes paid net of refunds of tax credits' (-€441 million) and 'interest paid' (-€124 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' (-€224 million);
- the items relating to investments in 'intangible assets' (-€1,002 million) and 'tangible assets' (-€13 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'capital expenditure' (-€1,015 million);
- the items relating to disposals of 'tangible assets' (€15 million), 'shareholdings' (€1 million) and 'consolidated subsidiaries and businesses' (-€8 million), indicated separately and included in cash flow from disposals in the statutory scheme, are shown net under the item 'disposals' (€8 million);
- the items disposals of 'financing receivables' (€1 million) and 'financing receivables' (-€5 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' (-€4 million);
- the items 'proceeds from long-term debt' (€2,231 million), 'increase (decrease) in short-term debt' (€799 million) and 'repayments of long-term debt' (-€1,611 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' (€1,419 million).

All other items are unchanged.

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saipem

Balance sheet

		Dec. 31, 2011		Dec. 31, 2012	
(€ million)	Note	Total	*of which with related parties*	Total	*of which with related parties*
ASSETS					
Current assets					
Cash and cash equivalents	(No. 1)	1,029	572	1,325	642
Trade and other receivables	(No. 2)	3,504	880	3,252	948
Inventories	(No. 3)	1,353		2,332	
Current tax assets	(No. 4)	78		238	
Other current tax assets	(No. 5)	256		271	
Other current assets	(No. 6)	498	240	388	203
Total current assets		**6,718**		**7,806**	
Non-current assets					
Property, plant and equipment	(No. 7)	8,024		8,254	
Intangible assets	(No. 8)	752		756	
Investments accounted for using the equity method	(No. 9)	109		116	
Other investments	(No. 10)	1		-	
Other financial assets	(No. 11)	2		1	
Deferred tax assets	(No. 12)	100		88	
Other non-current assets	(No. 13)	146	-	174	4
Total non-current assets		**9,134**		**9,389**	
TOTAL ASSETS		**15,852**		**17,195**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(No. 14)	956	826	1,740	1,523
Current portion of long-term debt	(No. 19)	766	765	400	399
Trade and other payables	(No. 15)	5,341	246	4,982	177
Income tax payables	(No. 16)	244		250	
Other current tax liabilities	(No. 17)	150		129	
Other current liabilities	(No. 18)	506	494	93	88
Total current liabilities		**7,963**		**7,594**	
Non-current liabilities					
Long-term debt	(No. 19)	2,576	2,376	3,543	3,343
Provisions for contingencies	(No. 20)	209		163	
Provisions for employee benefits	(No. 21)	200		217	
Deferred tax liabilities	(No. 22)	79		122	
Other non-current liabilities	(No. 23)	2	-	3	1
Total non-current liabilities		**3,066**		**4,048**	
TOTAL LIABILITIES		**11,029**		**11,642**	
SHAREHOLDERS' EQUITY					
Minority interest	(No. 24)	114		148	
Saipem shareholders' equity:	(No. 25)	4,709		5,405	
- share capital	(No. 26)	441		441	
- share premium reserve	(No. 27)	55		55	
- other reserves	(No. 28)	23		99	
- retained earnings		3,342		3,951	
- net profit for the year		921		902	
- treasury shares	(No. 29)	(73)		(43)	
Total shareholders' equity		**4,823**		**5,553**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**15,852**		**17,195**	

Income statement

		2011		2012	
(€ million)	Note	Total	*of which with related parties*	Total	*of which with related parties*
REVENUES					
Net sales from operations	(No. 32)	12,593	2,613	13,369	2,172
Other income and revenues	(No. 33)	38	3	17	-
Total revenues		**12,631**		**13,386**	
Operating expenses					
Purchases, services and other costs	(No. 34)	(8,749)	(209)	(9,138)	(181)
Payroll and related costs	(No. 35)	(1,750)		(2,041)	
Depreciation, amortisation and impairment	(No. 36)	(642)		(726)	
Other operating income (expense)	(No. 37)	3	3	-	-
OPERATING PROFIT		**1,493**		**1,481**	
Finance income (expense)					
Finance income		524	4	346	2
Finance expense		(586)	(93)	(568)	(109)
Derivative financial instruments		(71)	(62)	74	72
Total finance income (expense)	(No. 38)	**(133)**		**(148)**	
Income (expense) from investments					
Share of profit of equity-accounted investments		16		17	
Other gain (loss) from investments		3		(1)	
Total income (expense) from investments	(No. 39)	**19**		**16**	
PROFIT BEFORE INCOME TAXES		**1,379**		**1,349**	
Income taxes	(No. 40)	(392)		(393)	
NET PROFIT		**987**		**956**	
Attributable to:					
- Saipem		921		902	
- minority interest	(No. 41)	66		54	
Earnings per share attributable to Saipem (€ per share)					
Basic	(No. 42)	2.10		2.05	
Diluted	(No. 42)	2.09		2.05	

Statement of comprehensive income

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Net profit for the year	**987**	**956**
Other items of comprehensive income:		
- change in the fair value of cash flow hedges [1]	(69)	131
- investments carried at fair value	(1)	-
- exchange rate differences arising from the translation into euro of financial statements currencies other than euro	45	(33)
- income tax relating to other items of comprehensive income	6	(24)
Other items of comprehensive income	**(19)**	**74**
Total comprehensive income	**968**	**1,030**
Attributable to:		
- Saipem Group	897	979
- minority interest	71	51

(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

	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	Total	Minority interest	Total shareholders' equity
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) recognised 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 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**
2011 net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**921**	**-**	**921**	**66**	**987**
Income (expense) recognised 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 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**

cont'd Statement of changes in shareholders' equity

(€ million)	Saipem shareholders' equity												
	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve	Cumulative currency translation differences	Retained earnings	Net profit for the year	Treasury shares	Total	Minority interest	Total shareholders' equity
Balance at December 31, 2011	**441**	**55**	**7**	**88**	**-**	**(60)**	**(12)**	**3,342**	**921**	**(73)**	**4,709**	**114**	**4,823**
2012 net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**902**	**-**	**902**	**54**	**956**
Income (expense) recognised directly in equity													
Change in the fair value of cash flow hedging derivatives net of the tax effect	-	-	-	-	-	107	-	-	-	-	107	-	107
Investments carried at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	(30)	-	-	-	(30)	(3)	(33)
Total comprehensive income (loss) for 2012	**-**	**-**	**-**	**-**	**-**	**107**	**(30)**	**-**	**902**	**-**	**979**	**51**	**1,030**
Transactions with shareholders													
Dividend distribution	-	-	-	-	-	-	-	-	(307)	-	(307)	(23)	(330)
Retained earnings	-	-	-	-	-	-	-	614	(614)	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	29	29	-	29
Other changes in shareholders' equity													
Other changes	-	-	-	-	-	-	(1)	(5)	-	1	(5)	6	1
Total	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**609**	**(921)**	**30**	**(283)**	**(17)**	**(300)**
Balance at December 31, 2012	**441**	**55**	**7**	**88**	**-**	**47**	**(43)**	**3,951**	**902**	**(43)**	**5,405**	**148**	**5,553**

Cash flow statement

(€ million)	Note	2011	2012
Net profit for the year		921	902
Minority interest		66	54
Adjustments to reconcile net profit to net cash provided by operating activities:			
- depreciation and amortisation	(No. 36)	608	701
- net impairment of tangible and intangible assets	(No. 36)	34	25
- share of profit (loss) of equity-accounted investments	(No. 39)	(16)	(17)
- net (gains) losses on disposal of assets		2	4
- interest income		(9)	(13)
- interest expense		100	127
- income taxes	(No. 40)	392	393
- other changes		(6)	16
Changes in working capital:			
- inventories		(550)	(1,000)
- trade receivables		812	233
- trade payables		286	30
- provisions for contingencies		40	(20)
- other assets and liabilities		(762)	(677)
Cash flow from working capital		*1,918*	*758*
Change in the provision for employee benefits		7	17
Dividends received		11	2
Interest received		9	12
Interest paid		(111)	(124)
Income taxes paid net of refunds of tax credits		(285)	(441)
Net cash provided by operating activities		**1,549**	**224**
of which with related parties	(No. 44)	**2,354**	**1,819**
Investing activities:			
- tangible assets	(No. 7)	(1,100)	(1,002)
- intangible assets	(No. 8)	(6)	(13)
- investments	(No. 9)	-	(1)
- consolidated subsidiaries and businesses		(93)	-
- financing receivables		(56)	(5)
Cash flow from investing activities		*(1,255)*	*(1,021)*
Disposals:			
- tangible assets		3	15
- consolidated subsidiaries and businesses		7	(8)
- investments		8	1
- financing receivables		53	1
Cash flows from disposals		*71*	*9*
Net cash used in investing activities (1)		**(1,184)**	**(1,012)**
of which with related parties	(No. 44)	**-**	**-**
Proceeds from long-term debt		186	2,231
Repayments of long-term debt		(117)	(1,611)
Increase (decrease) in short-term debt		(49)	799
		20	**1,419**
Dividends distribution		(297)	(352)
Sale of treasury shares		11	29

cont'd Cash flow statement

(€ million)	Note	2011		2012	
Net cash used in financing activities		**(266)**		**1,096**	
of which with related parties	(No. 44)		**279**		**1,298**
Effect of changes in consolidation		(5)		-	
Effect of exchange rate changes and other changes on cash and cash equivalents		5		(12)	
Net cash flow for the year		**99**		**296**	
Cash and cash equivalents - beginning of year	(No. 1)	**930**		**1,029**	
Cash and cash equivalents - end of year	(No. 1)	**1,029**		**1,325**	

(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, 2011	Dec. 31, 2012
Financing investments:		
- financing receivables	(56)	(5)
	(56)	**(5)**
Disposal of financing investments:		
- financing receivables	4	1
	4	**1**
Net cash flows from financing activities	**(52)**	**(4)**

Notes to the consolidated financial statements

Basis of presentation

The consolidated financial statements of Saipem have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of EC Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002 and in accordance with Article 9 of Legislative Decree No. 38/2005[1]. The consolidated financial statements have been prepared by applying the cost method, with adjustments where appropriate, except for items that under IFRS must be recognised at fair value, as described in the accounting policies section.

The consolidated financial statements 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 therefore does not have a material impact[2] in terms of the correct representation of the Group's total assets, liabilities, net financial position and profit for the year. These interests are accounted for as described below under the heading 'Financial fixed assets'.

Immaterial subsidiaries excluded from consolidation, associates and other interests are accounted for as described under the heading 'Financial fixed assets'.

Consolidated companies, non-consolidated subsidiaries, associates and relevant shareholdings as set forth in Article 126 of Consob Resolution No. 11971 of May 14, 1999 and subsequent addenda, are indicated separately in the section 'Scope of consolidation'. After this section, there follows a list detailing the changes in the consolidation area from the previous year.

Financial statements of consolidated companies are audited by independent auditors, who also examine and certify the information required for the preparation of the consolidated financial statements. The consolidated financial statements at December 31, 2012, approved by Saipem's Board of Directors on March 13, 2013, 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.

Business combination transactions are recognised using the acquisition method. The amount transferred in a business combination is determined at the date the controlling interest is acquired and is equivalent to the fair value of the assets transferred, of liabilities incurred or assumed, and of any equity instruments issued by the acquirer. Costs directly attributable to the transaction are recognised in the income statement when they are incurred.

Jointly controlled entities are consolidated using the proportional method. The book value of interests in these companies is eliminated against the corresponding portion of their shareholders' equity. Assets and liabilities, and revenues and expenses are incorporated into the consolidated financial statements proportionally to the extent of the interest held. 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 recognised as goodwill. Negative goodwill is recognised 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 recognised, including the share attributable to minority interest (full goodwill method). In this latter case, equity attributable to minority interests is shown at fair value including the related goodwill[3]. 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.

(1) The international accounting standards used in the preparation of the consolidated financial statements are essentially the same as those issued by the IASB and in force in 2012, since the current differences between the IFRS endorsed by the European Commission and those issued by the IASB relate to situations that do not affect the Group.
(2) According to the IASB conceptual framework, 'information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements'.
(3) 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).

Any difference between the fair value of the previous ownership interest and its carrying amount is recognised in the income statement. In addition, when a controlling interest is acquired, is recognised in the income statement, any amount previously recognised in other comprehensive income.
In the event that additional ownership interests in subsidiaries are purchased from minority shareholders, any excess of the amount paid over the carrying value of the minority interest acquired is recognised directly in equity attributable to Saipem Group. Similarly, the effects of disposals of ownership interests in a subsidiary that do not result in the loss of control are accounted for as equity transactions.
Conversely, a disposal of interests that implies loss of control, triggers recognition in the income statement of: (i) any gains or losses calculated as the difference between consideration received and the corresponding fraction of the shareholders' equity transferred; (ii) the value of the participating interest, increased/decreased to fair value; (iii) amounts recognised in the other items of comprehensive income related to the former subsidiary. This fair value becomes the new carrying amount for subsequent accounting for the retained interest according to the applicable accounting criteria[4]. The difference between the proceeds from the disposal of the subsidiary and its carrying amount at the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary, recognised in the separate component of equity in accordance with IAS 21, the 'Effects of changes in foreign exchange rates', is recognised in the consolidated income statement as a gain or loss on the disposal.
If losses applicable to minority interests in a consolidated subsidiary exceed the minority interests in the subsidiary's equity, the excess and any further losses applicable to the minority interests are allocated against the majority's interest, except to the extent that the minority interests have a binding obligation and are able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority's interest until the minority interests' share of losses previously absorbed by the majority's interest have been recovered.

Intercompany transactions

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

Foreign currency translation

Financial statements of foreign companies having a functional currency other than euro are converted into euro applying: (i) closing exchange rates for assets and liabilities; (ii) historical exchange rates for equity accounts; (iii) average rates for the year to the income statement (source: Bank of Italy).
Cumulative exchange rate differences resulting from this translation are recognised in shareholders' equity under the item 'Cumulative currency translation differences' for the portion relating to the Group's interest and under 'Minority interest' for the portion related to minority shareholders. Cumulative exchange differences are charged to the income statement when an investment is fully disposed of or when the investment ceases to qualify as a controlled company. In the event of a partial disposal that does not result in the loss of control, the portion of exchange differences relating to the interest sold is recognised under minority interest in equity.
The financial statements translated into euros are those denominated in the functional currency, i.e. the local currency or the currency in which most financial transactions and assets and liabilities are denominated.
The exchange rates that have been applied for the translation of financial statements in foreign currencies are as follows:

(4) The same applies to disposals that result in the loss of significant influence over an associate and the loss of joint control over a jointly controlled entity.

Currency	Exchange rate at Dec. 31, 2011	Exchange rate at Dec. 31, 2012	2012 average exchange rate
US Dollar	1.2939	1.3194	1.28479
British Pound Sterling	0.8353	0.8161	0.810871
Algerian Dinar	97.466	103.384	99.8086
Angolan Kwanza	122.618	126.425	122.51
Argentine Peso	5.56769	6.48641	5.84032
Australian Dollar	1.2723	1.2712	1.24071
Azerbaijani Manat	1.01749	1.03507	1.00877
Brazilian Real	2.4159	2.7036	2.50844
Canadian Dollar	1.3215	1.3137	1.28421
Croatian Kuna	7.537	7.5575	7.52167
Dominican Peso	50.0217	53.1206	50.361
Egyptian Pound	7.80328	8.37831	7.79852
Indian Rupee	68.713	72.56	68.5973
Indonesian Rupee	11,731.5	12,714	12,045.7
Malaysian Ringgit	4.1055	4.0347	3.96725
Nigerian Naira	208.165	206.104	204.051
Norwegian Kroner	7.754	7.3483	7.47506
Peruvian New Sol	3.48747	3.36777	3.39012
Qatari Riyal	4.71164	4.80394	4.6779
Romanian New Leu	4.3233	4.4445	4.45931
Russian Rouble	41.765	40.3295	39.9262
Saudi Arabian Riyal	4.85236	4.94838	4.81826
Singapore Dollar	1.6819	1.6111	1.60546
Swiss Franc	1.2156	1.2072	1.20528
UAE Dirham	4.75237	4.84617	4.718994

Summary of significant accounting policies

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

Current assets

Cash and cash equivalents

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

Inventories

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

Work-in-progress relating to long-term contracts is stated on the basis of agreed contract revenue determined with reasonable certainty, recognised in proportion to the stage of completion of contract activity.

Given the nature of the contracts and the type of work, the percentage of completion is calculated on the basis of the work performed, being the percentage of costs incurred with respect to the total estimated costs (cost-to-cost method).

Adjustments made for the economic effects of using this method on net sales from operations, to reflect differences between amounts earned based on the percentage of completion and recognised revenues, are included under contract work-in-progress if positive or under trade payables if negative.

When hedged by derivative contracts qualifying for hedge accounting, revenues denominated in foreign currencies are translated at the contracted rates. Otherwise, they are translated at the exchange rate prevailing at year-end. The same method is used for any costs in a foreign currency.

The valuation of work-in-progress considers all directly related costs, contractual risks and contract revision clauses, where they can be objectively determined.

Modifications to original contracts for additional works are recognised when realisation is probable and the amount can be reliably estimated.

Expected losses on contracts are recognised fully in the year in which they become probable.

Bidding costs are expended in the year in which they are incurred.

Current financial assets

Held for trading financial assets and available-for-sale financial assets are measured at fair value with gains or losses recognised in the income statement under 'Finance income (expense)' and in the equity reserve related to 'Other items of comprehensive income', respectively. In the latter case, changes in fair value recognised in equity are taken to the income statement when the asset is sold or impaired.

Assets are assessed for objective evidence of an impairment loss. This may include significant breaches of contracts, serious financial difficulties or the high probability of insolvency of the counterparty. Losses are deducted from the carrying amount of the asset.
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 represented 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 actual transactions in the market.
Interest and dividends on financial assets available-for-sale are accounted for on an accruals 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 amortised cost (see 'Financial fixed assets - Receivables and financial assets held to maturity').
Transferred financial assets are derecognised from assets when the contractual rights to receive the cash flows of the financial assets are transferred together with the risks and rewards of ownership.

Non-current assets

Tangible assets

Tangible assets are recognised using the cost model and stated at their purchase or production cost including any costs directly attributable to bringing the asset into operation. In addition, when a substantial amount of time is required to make the asset ready for use, the purchase price or production cost includes borrowing costs that theoretically would have been avoided had the investment not been made. The purchase or production cost is net of government grants related to assets, which are only recognised when all the required conditions have been met.
In the case of a present obligation for the dismantling and removal of assets and the restoration of sites, the carrying value includes, with a corresponding entry to a specific provision, the estimated (discounted) costs to be borne at the moment the asset is retired. The accounting treatment of changes in estimates for these provisions, the passage of time and the discount rate are indicated under 'Provisions for contingencies'.
Assets held under finance leases or under leasing arrangements that do not take the legal form of a finance lease but substantially transfer all the risks and rewards of ownership of the leased asset are recognised at fair value, net of taxes due from the lessor or, if lower, at the present value of the minimum lease payments, within tangible assets. A corresponding financial debt payable to the lessor is recognised as a financial liability. These assets are depreciated using the criteria described below. Where it is not reasonably certain that the purchase option will be exercised, leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.
Expenditures on renewals, improvements and transformations that extend the useful lives of the related asset are capitalised when it is likely that they will increase the future economic benefits expected from the asset.
Tangible assets are depreciated systematically using a straight-line method over their useful life, which is an estimate of the period over which the assets will be used by the company. When the tangible asset comprises more than one significant element with different useful lives, each component is depreciated separately. The depreciable amount of an asset is its cost less the estimated residual value at the end of its useful life, if this is significant and can be reasonably determined. Land is not depreciated, even where purchased with a building. Tangible assets held for sale are not depreciated but are valued at the lower of book value and fair value less costs to sell (see 'Non-current assets held for sale and discontinued operations'). Changes to depreciation schedules related to changes in the estimated useful life or the residual value of an asset or in the expected pattern of consumption of the future economic benefits flowing from an asset are accounted for prospectively.
Replacement costs of identifiable components in complex assets are capitalised and depreciated over their useful life. The residual book value of the component that has been replaced is charged to the income statement. Ordinary maintenance and repair costs are expensed when incurred.
The carrying value of tangible assets is reviewed for impairment whenever events indicate that the carrying amounts for those assets may not be recoverable. The recoverability of an asset is assessed by comparing its carrying value with the recoverable amount, represented by the higher of fair value less costs to sell and value in use. 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 realisable value of single assets cannot be determined, for the smallest identifiable group of assets that generates independent cash inflows from their continuous use, referred to as cash generating units. If the reasons for impairment cease to exist, the impairment loss is reversed to the income statement as income from revaluation. The value of the asset is written back to the lower of the recoverable amount and the original book value before impairment, less the depreciation that would have been charged had no impairment loss been recognised.
Tangible assets destined for specific operating projects, for which no further future use is envisaged due to the characteristics of the asset itself or the high usage sustained during the execution of the project, are amortised over the duration of the project.

Intangible assets

Intangible assets are assets without physical substance, 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 power to obtain the future economic benefits deriving from the underlying resource and to restrict the access of others to those benefits. Intangible assets are stated at cost as determined with the criteria used for tangible assets.

Intangible assets with a defined useful life are amortised systematically over their useful life estimated as the period over which the assets will be used by the company. The amount to be amortised and the recoverability of their book value are determined in accordance with the criteria described in the section 'Tangible assets'.

Goodwill and other intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying value is reviewed at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill is tested for impairment at the level of the 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, determined by taking into account the impairment of non-current assets that are part of the cash generating unit, exceeds the GCU's recoverable amount[5], the excess is recognised as impairment. The impairment loss is first allocated to reduce the carrying amount of goodwill. Any remaining excess is allocated on a pro-rata basis to the carrying value of the assets that form the cash generating unit. Impairment charges against goodwill are not reversed[6].

Costs of technological development activities

Costs of technological development activities are capitalised when the company can demonstrate 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;
(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 recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

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 recognised 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; (ii) the investor's share of the investee's other comprehensive income. Shares of changes in the net assets of investees that are not recognised in profit or loss or other comprehensive income of the investee are recognised in the income statement when they reflect the substance of a disposal of an interest in said investee. Dividends received from an investee reduce the carrying amount of the investment. When using the equity method, the adjustments required for the consolidation process are applied (see 'Principles of consolidation').

When there is objective evidence of impairment (see also 'Current financial assets'), the recoverability is tested by comparing the carrying amount and the related recoverable amount determined adopting the criteria indicated in the item 'Tangible assets'.

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

When the reasons for their impairment cease to exist, investments accounted for at cost are revalued within the limit of the impairment made and their effects are taken to the income statement item 'Other income (expense) from investments'.

Other investments, included in non-current assets, are recognised at their fair value and their effects are included in the equity reserve related to 'Other items of comprehensive income'. Changes in fair value recognised in equity are charged to the income statement when the investment is sold or impaired. When investments are not traded in a public market and fair value cannot be reasonably determined, investments are accounted for at cost, adjusted for impairment losses, which may not be reversed[6].

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

RECEIVABLES AND HELD-TO-MATURITY FINANCIAL ASSETS

Receivables and financial assets to be held to maturity are stated at cost, represented by the fair value of the initial exchanged amount adjusted to take into account direct external costs related to the transaction (e.g.

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

fees of agents or consultants, etc.). The initial carrying value is then adjusted to take into account capital repayments, devaluations and amortisation of the difference between the reimbursement value and the initial carrying value. Amortisation 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 amortised cost method). Receivables for finance leases are recognised at an amount equal to the present value of the lease payments and the purchase option price or any residual value; the amount is discounted at the interest rate implicit in the lease.
Any impairment is recognised by comparing the carrying value with the present value of the expected cash flows discounted at the effective interest rate computed at initial recognition or at the moment of its updating to reflect re-pricings contractually established (see also 'Current assets'). Receivables and held-to-maturity financial assets are recognised net of the provision for impairment losses. When the impairment loss is definite, the provision is used; otherwise it is released. Changes to the carrying amount of receivables or financial assets arising from amortised cost valuation are recognised as 'Finance income (expenses)'.

Assets held for sale and discontinued operations

Non-current assets and current and non-current assets included within disposal groups, whose carrying amount will be recovered principally through a sale transaction rather than through their continuing use, are classified as held for sale. This condition is considered met when the sale is highly probable and the asset or disposal group is available for immediate sale in its current condition. Non-current assets held for sale, current and non-current assets included within disposal groups and liabilities directly associated with them are recognised in the balance sheet separately from the entity's other assets and liabilities.
Non-current assets held for sale are not depreciated and are measured at the lower of the fair value less costs to sell and their carrying amount.
The classification of 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 recognised up to the cumulative impairment losses, including those recognised prior to qualification of the asset as held for sale.
Non-current assets and current and non-current assets included within disposal groups and classified as held for sale constitute a discontinued operation if: (i) they represent a separate major line of business or geographical area of operations; (ii) they are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; (iii) they are a subsidiary acquired with a view to resale. Profit or loss of discontinued operations, as well as any gains or losses on their disposal are reported separately in the income statement, net of any tax effects.
When the sale of a subsidiary is planned and this will lead to loss of control, all of its assets and liabilities are classified as held for sale. This applies whether or not an interest is retained in the former subsidiary after the sale.

Financial liabilities

Debt is carried at amortised cost (see 'Financial fixed assets - Receivables and held-to-maturity financial assets' above). 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 contingencies concern risks and charges of a definite nature and whose existence is certain or probable but for which at year-end the timing or amount of future expenditure is uncertain. Provisions are recognised when: (i) there is a present obligation, either legal or constructive, as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; (iii) a reliable estimate can be made of the amount of the obligation. Provisions represent the best estimate of the expenditure required to settle the obligation or to transfer it to third parties at the balance sheet date. The amount recognised for onerous contracts is the lower of the cost necessary to fulfil the contract obligations, net of the economic benefits expected to be received under it, and any compensation or penalties arising from failure to fulfil these obligations. Where the effect of the time value of money is material and the payment dates of the obligations can be reliably estimated, the provisions should be discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as 'Finance (expense) income'.
When the liability regards a tangible asset, the provision is stated with a corresponding entry to the asset to which it refers and taken to the income statement through the depreciation process.
The costs that the company expects to bear to carry out restructuring plans are recognised when the company formally defines the plan and the interested parties have developed a valid expectation that the restructuring will occur.
Provisions are periodically updated to show the variations of estimates of costs, production times and actuarial rates. Increases or decreases for changes in estimates for provisions recognised in prior periods are recognised in the same income statement item used to accrue the provision, or, when a liability regards tangible assets, through an entry corresponding to the assets to which they refer, within the limits of the carrying amount. Any excess is taken to the income statement.
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.

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

Costs

Costs are recognised when the related goods and services are sold, consumed or allocated, or when their future benefits cannot be determined.
Operating lease payments are recognised in the income statement over the length of the contract.
Labour costs comprise remuneration paid, provisions made to pension funds, accrued holidays, national insurance and social security contributions in compliance with national contracts of employment and current legislation.
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[7]. 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' in equity.
The costs for the acquisition of new knowledge or discoveries, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or any other costs incurred for other scientific research activities or technological development, are generally considered current costs and expensed as incurred. These costs are capitalised (see '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 recognised in the income statement. Non-monetary assets and liabilities denominated in currencies other than the functional currency valued at cost are translated at the initial exchange rate. Non-monetary assets that are re-measured at fair value (i.e. at their recoverable amount or realisable value), are translated at the exchange rate applicable on the date of re-measurement.

Dividends

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

Income taxes

Current income taxes are determined on the basis of estimated taxable income. The estimated liability is recognised in 'Income tax payables'. Current income tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax assets or liabilities are recognised for temporary differences between the carrying amounts and tax bases of assets and liabilities, based on tax rates and tax laws that have been enacted or substantively enacted for future years. Deferred tax assets are recognised when their recovery is considered probable. The recoverability of deferred taxes is considered probable when it is expected that sufficient taxable profit will be available in the periods in which the temporary differences reverse against which deductible temporary differences can be utilised.
Similarly, unused tax credits and deferred tax assets on tax losses are recognised to the extent that they can be recovered.
For temporary differences associated with investments in subsidiaries, jointly-controlled entities and associated companies, deferred tax liabilities are not recorded if the investor is able to control the timing of the reversal of the temporary difference and it is probable that the reversal will not occur in the foreseeable future.
Deferred tax assets and liabilities are recorded under non-current assets and liabilities and are offset at single entity level if related to offsettable taxes. The balance of the offset, if positive, is recognised under 'Deferred tax assets' and, if negative, under 'Deferred tax liabilities'.
When the results of transactions are recognised directly in shareholders' equity, current taxes, deferred tax assets and liabilities are also charged to 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 recognised 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, assessed on an ongoing basis, is demonstrated to be high. When hedging instruments cover the risk of changes in the fair value of the hedged item (fair value hedge; e.g. hedging of changes in the fair value of fixed rate assets/liabilities), they are recognised at fair value, with changes taken to the income statement. Hedged items are accordingly adjusted to reflect, in the income statement, 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 recognised asset or liability (such as future interest payments on variable rate debt) or a highly probable forecast transaction, such as project income/costs.
The effective portion of variations in fair value of derivatives designated as hedges under IAS 39 is recorded initially in a hedging reserve related to other items of comprehensive income. This reserve is recognised in the income statement in the period in which the hedged item affects profit or loss.
The ineffective portion of changes in fair value of derivatives, as well as the entire change in fair value of those derivatives not designated as hedges or that do not meet the criteria set out in IAS 39, are taken directly to the income statement under 'Derivative financial instruments'.
Changes in the fair value of derivatives which do not satisfy the conditions for being qualified as hedges are recognised in the income statement. Specifically, changes in the fair value of non-hedging interest rate and foreign currency derivatives are recognised in the income statement under 'Finance income (expense)'; conversely, changes in the fair value of non-hedging commodity derivatives are recognised in the income statement under 'Other operating income (expense)'.

Financial statements[8]

Assets and liabilities of the balance sheet are classified as current and non-current. Items of the income statement are presented by nature[9].
The statement of comprehensive income shows net profit together with income and expenses that are recognised directly in equity in accordance with IFRS.
The statement of changes in shareholders' equity includes profit and loss for the year, transactions with shareholders and other changes in shareholders' equity.
The cash flow statement is prepared using the indirect method, whereby net profit is adjusted for the effects of non-cash transactions.

Risk management

The main 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 further details on industrial risks, see the 'Risk management' section in the Directors' Report.

MARKET RISK

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

Exchange rate risk

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

(8) The financial statements are the same as those used for the 2011 Annual Report.
(9) 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'.

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

Saipem's foreign exchange risk management policy is to minimise economic and transactional exposures arising from foreign currency movements and to optimise the economic exchange risk connected with commodity prices. Saipem does not undertake any hedging activity for risks deriving from the translation of foreign currency denominated profits or assets and liabilities of subsidiaries that prepare financial statements in a currency other than the euro.

Saipem uses a number of different types of derivative contract to reduce economic and transaction exposure, such as currency swaps, forwards and options. In compliance with International Financial Reporting Standards (IFRS), Saipem hedges net exposure to economic and transactional risk through the use of certain derivatives, such as currency swaps, forwards and options. Such derivatives are evaluated by the Corporate Finance Unit of Eni SpA at fair value on the basis of market standard evaluation and market prices provided by specialised sources. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Treasury Department, which closely monitors the correlation between derivatives and their underlying flows as well as ensuring their correct accounting representation in compliance with the International Financial Reporting Standards (IFRS).

An exchange rate sensitivity analysis was performed for those currencies other than euro for which exchange risk exposure in 2012 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 regarded exposure to exchange rate risk in accordance with IFRS 7 and therefore did 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 -€49 million (-€113 million at December 31, 2011) and an overall effect on shareholders' equity, before related tax effects, of -€393 million (-€364 million at December 31, 2011).

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 €48 million (€76 million at December 31, 2011) and an overall effect on shareholders' equity, before related tax effects, of €389 million (€311 million at December 31, 2011).

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

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

	2011				2012			
	+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	(126)	(377)	88	323	(26)	(370)	29	370
Trade and other receivables	117	117	(96)	(96)	111	111	(91)	(91)
Trade and other payables	(106)	(106)	86	86	(135)	(135)	111	111
Cash and cash equivalents	25	25	(20)	(20)	24	24	(20)	(20)
Short-term debt	(4)	(4)	3	3	(5)	(5)	4	4
Medium/long-term debt	(19)	(19)	15	15	(18)	(18)	15	15
Total	**(113)**	**(364)**	**76**	**311**	**(49)**	**(393)**	**48**	**389**

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

		Dec. 31, 2011			Dec. 31, 2012		
(€ million)	Currency	Total	Δ -10%	Δ +10%	Total	Δ -10%	Δ +10%
Receivables							
	USD	963	(88)	107	864	(79)	96
	DZD	8	(1)	1	37	(3)	4
	QAR	-	-	-	35	(3)	4
	NOK	6	-	1	24	(2)	3
	AED	-	-	-	24	(2)	3
	GBP	21	(2)	2	7	(1)	1
	PLN	37	(3)	4	3	(1)	-
	PEN	19	(2)	2	1	-	-
	Other currencies	1	-	-	2	-	-
Total		**1,055**	**(96)**	**117**	**997**	**(91)**	**111**
Payables							
	USD	613	56	(68)	782	71	(87)
	DZD	8	1	(1)	120	11	(13)
	AED	-	-	-	71	6	(8)
	GBP	91	8	(10)	66	6	(7)
	KZT	-	-	-	41	4	(5)
	SGD	28	3	(3)	32	3	(4)
	NOK	134	12	(15)	30	3	(3)
	PLN	53	4	(6)	29	3	(3)
	AUD	-	-	-	25	2	(3)
	Other currencies	24	2	(3)	20	2	(2)
Total		**951**	**86**	**(106)**	**1,216**	**111**	**(135)**

Interest rate risk

The risk exposure arising from interest rate fluctuations within the Saipem Group is associated mainly with long-term financing with variable rates. To reduce this risk, Interest Rate Swaps (IRS) are entered into.

Interest Rate Swaps are evaluated at fair value by the Treasury Department of Eni SpA on the basis of market standard evaluation and market prices provided by specialised sources. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Treasury Department, which closely monitors the correlation between derivatives and their underlying flows as well as ensuring their correct accounting representation in compliance with the International Financial Reporting Standards (IFRS). Such derivatives are evaluated by the Corporate Finance Unit of Eni SpA at fair value on the basis of market standard evaluation and market prices provided by specialised sources. No interest rate swaps were in force at December 31, 2012.

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

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

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

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

A positive variation in interest rates would have produced an overall effect on pre-tax profit of -€6 million (-€6 million at December 31, 2011) and an overall effect on shareholders' equity, before related tax effects of -€6 million (-€6 million at December 31, 2011). A negative variation in interest rates would have produced an overall effect on pre-tax profit of €6 million (€6 million at December 31, 2011) and an overall effect on shareholders' equity, before related tax effects of €6 million (€6 million at December 31, 2011).

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

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

	2011				2012			
	+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	(3)	(3)	3	3	(3)	(3)	3	3
Medium/long-term debt	(4)	(4)	4	4	(4)	(4)	4	4
Total	**(6)**	**(6)**	**6**	**6**	**(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 organised markets of ICE and NYMEX where the relevant physical commodity market is well correlated to the financial market and is price efficient.

As regards commodity price risk management, derivative instruments on commodities are entered into by Saipem to hedge underlying contractual commitments. Hedge transactions may also be entered into in relation to future underlying contractual commitments, provided these are highly probable.

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 specialised sources. With regard to commodity risk hedging instruments, a 10% positive variation in the underlying rates would have produced no effect on pre-tax profit (€1 million at December 31, 2011), while it would have an effect on shareholders' equity, before related tax effects, of €1 million (€3 million at December 31, 2011). A 10% negative variation in the underlying rates would have produced no effect on pre-tax profit (-€1 million at December 31, 2011) while it would have an effect on shareholders' equity, before related tax effects, of -€1 million (-€3 million at December 31, 2011).

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

CREDIT RISK

Credit risk represents Saipem's exposure to potential losses deriving from the non-performance of counterparties. As regards counterparty risk in commercial contracts, credit management is the responsibility of the business units and of specific corporate finance and administration functions operating on the basis of standard business partner evaluation and credit worthiness procedures. For counterparty financial risk deriving from the investment of surplus liquidity, from positions in derivative contracts and from physical commodities contracts with financial counterparties, Group companies adopt guidelines issued by the Treasury Department of Saipem in compliance with the centralised treasury model of 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, 2012, Saipem had no significant concentrations of credit risk.

LIQUIDITY RISK

Liquidity risk is the risk that suitable sources of funding for the Group may not be available (funding liquidity risk), or that the Group is unable to sell its assets on the market place (asset liquidity risk), making it unable to meet its short-term finance requirements and settle obligations. Such a situation would negatively impact the Group's results as it would result in the company incurring higher borrowing expenses to meet its obligations or under the worst of conditions the inability of the company to continue as a going concern. As part of its financial planning process, Saipem manages liquidity risk by targeting a capital structure that guarantees a level of liquidity adequate for the Group's needs, optimising the opportunity cost of maintaining liquidity reserves and achieving an optimal profile in terms of maturity and composition of debt in accordance with business objectives and prescribed limits.

At present, in spite of the current market conditions, Saipem believes it has access to sufficient funding and borrowing facilities to meet currently foreseeable requirements, thanks to a use of credit lines that is both flexible and targeted to meet business needs.

The liquidity management policies used have the objective of ensuring both adequate funding to meet short-term requirements and obligations and a sufficient level of operating flexibility to fund Saipem's development plans, while maintaining an adequate finance structure in terms of debt composition and maturity.

As of December 31, 2012, Saipem maintained unused borrowing facilities of €1,704 million. In addition, Eni SpA provides lines of credit to Saipem SpA under Eni Group centralised treasury arrangements. These facilities were under interest rates that reflected market conditions. Fees charged for unused facilities were not significant.

The following tables show total contractual payments (including interest payments) and maturities on financial debt and payments and due dates for trade and other payables.

Finance debt

(€ million)	Maturity 2013	2014	2015	2016	2017	After	Total
Long-term debt	400	1,182	1,023	581	488	269	3,943
Short-term debt	1,740	-	-	-	-	-	1,740
Fair value of derivative instruments	89	1	-	-	-	-	90
	2,229	**1,183**	**1,023**	**581**	**488**	**269**	**5,773**
Interest on debt	83	76	48	37	24	22	290

Trade and other payables

(€ million)	Maturity 2013	2014-2017	After	Total
Trade payables	2,962	-	-	2,962
Other payables and advances	2,020	2	-	2,022

Outstanding contractual obligations

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

(€ million)	Maturity 2013	2014	2015	2016	2017	After	Total
Non-cancellable operating leases	84	59	47	44	38	58	330

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

(€ million)	Maturity 2013	2014
Committed on major projects	280	-
Committed on other investments	67	-
Total	**347**	**-**

Use of accounting estimates

The preparation of financial statements and interim reports in accordance with generally accepted accounting standards requires management to make accounting estimates based on complex or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time. The use of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Summarised below are those accounting estimates used in the preparation of consolidated financial statements and interim reports that are considered critical because they require management to make a large number of subjective judgements, assumptions and estimates regarding matters that are inherently uncertain. Changes in the conditions underlying such judgements, assumptions and estimates may have a significant effect on future results.

CONTRACT WORK IN PROGRESS

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

IMPAIRMENT OF ASSETS

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

Impairment is recognised in the event of significant permanent changes in the outlook for the market segment in which the asset is used. Determining as to whether and how much an asset is impaired involves management estimates on complex and highly uncertain factors, such as future market performances, the effects of inflation and technological improvements on operating costs, and the outlook for global or regional market supply and demand conditions.

The amount of an impairment loss is determined by comparing the carrying value of an asset with its recoverable amount (the higher of fair value less costs to sell and value in use calculated as the present value of the future cash flows expected to be derived from the use of the asset net of disposal costs). The expected future cash flows used for impairment reviews are based on judgemental assessments of future variables such as prices, costs, demand growth rate and production volumes, considering the information available at the date of the review and are discounted at a rate that reflects the risk inherent in the relevant activity. Goodwill and other intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying 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 recognised as goodwill. Negative residual differences are taken to the income statement. Management uses all available information to make these fair value determinations and, for 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.

PROVISIONS FOR EMPLOYEE BENEFITS
Post-employment benefit plans arising from defined benefit plans are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of 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 utilisation, 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; (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 amortise its actuarial gains and losses. This method amortises on a pro-rata basis the net cumulative unrecognised 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; (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. 475/2012 dated June 5, 2012 approved the amendments to IAS 1 'Presentation of Financial Statements' which, amongst other things, 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 (reclassification adjustments). IAS 1 provisions shall be applied for annual periods beginning on or after July 1, 2012 (for Saipem: 2013 financial statements).

European Commission Regulation No. 475/2012 dated June 5, 2012 approved the new version of IAS 19 'Employee benefits' which, amongst other things, introduces: (i) the requirement to recognise immediately all actuarial gains and losses through other comprehensive income, thereby eliminating the option to apply the corridor method. The actuarial gains and losses recognised in the statement of comprehensive income are not subsequently taken to the income statement; (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 about defined benefit plans. The amendments shall be applied for annual periods beginning on or after January 1, 2013[10].

European Commission Regulation No. 1254/2012 dated December 11, 2012 approved IFRS 10 'Consolidated Financial Statements' and the updated version of IAS 27 'Separate Financial Statements' which set down the principles to be adopted for drafting the consolidated and separate financial statements, respectively. IFRS 10 establishes a single control

(10) In accordance with IAS 19 transition requirements, the new provisions will be applied retrospectively beginning January 1, 2013. The opening values of the balance sheet at January 1, 2012 and the economic data for 2012 will be adjusted accordingly, as if the new IAS 19 provisions had always been applied. At the date of these consolidated financial statements, it is estimated that application of the new provisions, net of the tax effect, will imply the following: (i) a reduction of shareholders' equity at January 1, 2012 of €16 million; (ii) a reduction of shareholders' equity at December 31, 2012 of €28 million of which €13 million for actuarial gains and losses in 2012 recognised in other items of comprehensive income. The effect on the 2012 income statement is not significant.

model that applies to all entities, including Special Purpose Entities. According to the new definition, an investor controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard indicates factors to consider when determining whether an investor has control over an investee, including potential rights, protective rights, and the existence of agency or franchise relationships. The new version also recognises the possibility that an entity may hold control with less than a majority of voting rights as a consequence of the dispersion of holdings or the passive behaviour of other investors. The provisions of IFRS 10 and of the new version of IAS 27 shall be applied for annual periods beginning on or after January 1, 2014.

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

European Commission Regulation No. 1254/2012 dated December 11, 2012 approved IFRS 12 'Disclosure of Interests in Other Entities' such as subsidiaries and associated companies, joint operations and joint ventures, as well as unconsolidated structured entities. IFRS 12 provisions shall be applied for annual periods beginning on or after January 1, 2014.

European Commission Regulation No. 1255/2012 dated December 11, 2012 approved IFRS 13 'Fair Value Measurement' regarding a single IFRS framework for fair value measurements required or allowed for by other IFRSs as well as disclosure. 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.

European Commission Regulation No. 1256/2012 dated December 13, 2012 approved the amendments to IFRS 32 'Financial Instruments: Presentation' and amendments to IFRS 7 'Financial Instruments: Disclosures', which set out, respectively, the criteria to be adopted for offsetting 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; (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 IFRS 7 regarding reporting shall be applied for annual periods beginning on or after January 1, 2013, whereas amendments to IAS 32 shall be applied for annual periods beginning on or after January 1, 2014.

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

On November 12, 2009, the IASB issued IFRS 9 'Financial Instruments', which changes the recognition and measurement of financial assets and their classification in the financial statements. The new provisions require, inter alia, a classification and measurement model of financial assets based exclusively on the following categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value. The new provisions also require investments in equity instruments, other than subsidiaries, jointly controlled entities or associates, to be measured at fair value with value changes recognised in profit or loss. If these investments are not held for trading purposes, subsequent changes in the fair value can be recognised in other comprehensive income, with only dividend income recognised in profit or loss. Amounts taken to other comprehensive income shall not be subsequently transferred to profit or loss, even at disposal. On October 28, 2010, the IASB reissued IFRS 9 to incorporate classification and measurement criteria for financial liabilities. In particular, the new version of IFRS 9 requires changes in the fair value of financial liabilities designated as at fair value through profit or loss arising from the entity's own credit risk to be presented in other comprehensive income. Such changes may however be recognised in profit or loss in order to avoid an accounting mismatch with related assets. 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 June 28, 2012, the IASB published 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)', which clarifies and simplifies the transition requirements in IFRS 10, IFRS 11 and IFRS 12. The amendments shall be applied for annual periods beginning on or after January 1, 2013.

On May 17, 2012, the IASB published 'Annual Improvements to IFRSs 2009-2011 Cycle', which essentially consists of changes of a technical and editorial nature to existing standards. The amendments shall be applied for annual periods beginning on or after January 1, 2013.

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

Scope of consolidation at December 31, 2012

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 0.45 56.64		

Subsidiaries

Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Consorzio Sapro	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00	51.00	Co.
Denuke Scarl	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	55.00 45.00	55.00	F.C.
Servizi Energia Italia SpA	San Donato Milanese	EUR	291,000	Saipem SpA	100.00	100.00	F.C.
SnamprogettiChiyoda sas di Saipem SpA	San Donato Milanese	EUR	10,000	Saipem SpA Third parties	99.90 0.10	99.90	F.C.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Andromeda Consultoria Tecnica e Representações Ltda	Rio de Janeiro (Brazil)	BRL	5,494,210	Saipem SpA Snamprogetti Netherlands BV	99.00 1.00	100.00	F.C.
Boscongo sa	Pointe-Noire (Congo)	XAF	1,597,805,000	Saipem sa Third parties	99.99 0.01	100.00	F.C.
BOS Investment Ltd (**) (***)	New Malden - Surrey (United Kingdom)	GBP	20,000	Saipem sa	100.00	100.00	Co.
BOS-UIE Ltd (**) (***)	New Malden - Surrey (United Kingdom)	GBP	19,998	BOS Investment Ltd	100.00	100.00	Co.
Construction Saipem Canada Inc	Montreal - Quebec (Canada)	CAD	1,000	Snamprogetti Canada Inc	100.00	100.00	F.C.
ER SAI Caspian Contractor Llc	Almaty (Kazakhstan)	KZT	1,105,930,000	Saipem International BV Third parties	50.00 50.00	50.00	F.C.
ERSAI Marine Llc	Almaty (Kazakhstan)	KZT	1,000,000	ER SAI Caspian Contractor Llc	100.00	50.00	F.C.
ERS - Equipment Rental & Services BV	Amsterdam (Netherlands)	EUR	90,760	Saipem International BV	100.00	100.00	F.C.
Global Petroprojects Services AG	Zurich (Switzerland)	CHF	5,000,000	Saipem International BV	100.00	100.00	F.C.
Hazira Cryogenic Engineering & Construction Management Private Ltd	Mumbai (India)	INR	500,000	Saipem sa Third parties	55.00 45.00	55.00	E.M.

(*) 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.
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	679,719,045	Saipem International BV	100.00	100.00	F.C.
Professional Training Center Llc	Karakiyan District, Mangistau Oblast (Kazakhstan)	KZT	1,000,000	ER SAI Caspian Contractor Llc	100.00	50.00	F.C.
PT Saipem Indonesia	Jakarta (Indonesia)	USD	141,815,000	Saipem International BV Saipem Asia Sdn Bhd	68.55 31.45	100.00	F.C.
Sagio - Companhia Angolana de Gestão de Instalaçao Offshore Lda	Luanda (Angola)	AOA	1,600,000	Saipem International BV Third parties	60.00 40.00	60.00	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	1,750,000	Saipem International BV	100.00	100.00	F.C.
Saipem (Malaysia) Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	1,033,500	Saipem International BV Third parties	41.94 58.06	100.00	F.C.
Saipem (Nigeria) Ltd	Lagos (Nigeria)	NGN	259,200,000	Saipem International BV Third parties	89.41 10.59	89.41	F.C.
Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda	Caniçal (Portugal)	EUR	299,278,738	Saipem International BV	100.00	100.00	F.C.
Saipem America Inc	Wilmington (USA)	USD	50,000,000	Saipem International BV	100.00	100.00	F.C.
Saipem Argentina Samic y F. (**) (***)	Buenos Aires (Argentina)	ARS	1,805,300	Saipem International BV Third parties	99.90 0.10	99.90	E.M.
Saipem Asia Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	8,116,500	Saipem International BV	100.00	100.00	F.C.
Saipem Australia Pty Ltd	West Perth (Australia)	AUD	10,661,000	Saipem International BV	100.00	100.00	F.C.
Saipem 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 Drilling Norway AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem East Africa Ltd	Kampala (Uganda)	UGX	50,000,000	Saipem International BV Third parties	51.00 49.00	51.00	E.M.
Saipem India Projects Ltd	Chennai (India)	INR	407,000,000	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 (*)
Saipem Ingenieria y Construcciones S.L.U. (***)	Madrid (Spain)	EUR	40,000	Saipem International BV	100.00	100.00	E.M.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
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 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 AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Offshore Norway AS	Sola (Norway)	NOK	120,000	Saipem SpA	100.00	100.00	F.C.
Saipem Qatar Llc (**)	Doha (Qatar)	QAR	2,000,000	Saipem International BV Third parties	49.00 51.00	49.00	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 (**)	London (United Kingdom)	GBP	9,705	Saipem International BV	100.00	100.00	F.C.
Saipem Ukraine Llc	Kiev (Ukraine)	EUR	106,061	Saipem International BV Saipem Luxembourg SA	99.00 1.00	100.00	F.C.
Sajer Iraq 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.
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.
Snamprogetti Engineering BV	Amsterdam (Netherlands)	EUR	18,151	Saipem Maritime Asset Management Luxembourg Sarl	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 Ltd (**)	London (United Kingdom)	GBP	9,900	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Lummus Gas Ltd	Sliema (Malta)	EUR	50,000	Snamprogetti Netherlands BV	99.00	99.00	F.C.
				Third parties	1.00		
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	99.00	100.00	F.C.
				Saipem International BV	1.00		
Snamprogetti Saudi Arabia Co Ltd Llc	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Saipem International BV	95.00	100.00	F.C.
				Snamprogetti Netherlands BV	5.00		
Sofresid Engineering sa	Montigny le Bretonneux (France)	EUR	1,267,143	Sofresid sa	99.99	100.00	F.C.
				Third parties	0.01		
Sofresid sa	Montigny le Bretonneux (France)	EUR	8,253,840	Saipem sa	100.00	100.00	F.C.
Sonsub International Pty Ltd	Sydney (Australia)	AUD	13,157,570	Saipem International BV	100.00	100.00	F.C.
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	52.00	E.M.
Consorzio F.S.B.	Venice	EUR	15,000	Saipem SpA Third parties	28.00 72.00	28.00	Co.
Consorzio Libya Green Way (***)	San Donato Milanese	EUR	100,000	Saipem SpA Third parties	26.50 73.50	26.50	E.M.
Milano-Brescia-Verona Scarl (**)	San Donato Milanese	EUR	50,000	Saipem SpA Third parties	52.00 48.00	52.00	E.M.
Modena Scarl (**)	San Donato Milanese	EUR	400,000	Saipem SpA Third parties	59.33 40.67	59.33	P.C.
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	San Donato Milanese	EUR	1,000	Servizi Energia Italia SpA Third parties	50.00 50.00	50.00	E.M.
Rodano Consortile Scarl	San Donato Milanese	EUR	250,000	Saipem SpA Third parties	53.57 46.43	53.57	P.C.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem sa Third parties	20.00 80.00	20.00	E.M.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
02 Pearl snc	Montigny le Bretonneux (France)	EUR	1,000	Saipem sa Third parties	50.00 50.00	50.00	P.C.
Barber Moss Ship Management AS	Lysaker (Norway)	NOK	1,000,000	Moss Maritime AS Third parties	50.00 50.00	50.00	E.M.
Bonny Project Management Co Ltd	Greenford (United Kingdom)	GBP	1,000	LNG - Serviços e Gestão de Projectos Lda	100.00	25.00	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.
CSC Netherlands BV (***)	Amsterdam (Netherlands)	EUR	300,000	Saipem International BV Third parties	33.33 66.67	33.33	E.M.
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	20.00	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	20.00	E.M.
FPSO Mystras (Nigeria) Ltd (***)	Lagos (Nigeria)	NGN	15,000,000	FPSO Mystras - Produção de Petròleo Lda	100.00	50.00	E.M.
FPSO Mystras - Produção de Petròleo, Lda	Funchal (Portugal)	EUR	50,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
Kwanda Suporte Logistico Lda	Luanda (Angola)	AOA	25,510,204	Saipem sa Third parties	40.00 60.00	40.00	E.M.
LNG - Serviços e Gestão de Projectos Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Mangrove Gas Netherlands BV	Amsterdam (Netherlands)	EUR	2,000,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
ODE North Africa Llc	Maadi - Cairo (Egypt)	EGP	100,000	Offshore Design Engineering Ltd	100.00	50.00	E.M.
Offshore Design Engineering Ltd	Kingston - upon Thames (United Kingdom)	GBP	100,000	Saipem sa Third parties	50.00 50.00	50.00	P.C.
Petromar Lda	Luanda (Angola)	USD	357,143	Saipem sa Third parties	70.00 30.00	70.00	P.C.
RPCO Enterprises Ltd (**)	Nicosia (Cyprus)	EUR	17,100	Snamprogetti Netherlands BV Third parties	50.00 50.00	50.00	P.C.
Sabella sas	Quimper (France)	EUR	37,000	Sofresid Engineering sa Third parties	32.50 67.50	32.50	E.M.
Saibos Akogep Snc	Montigny le Bretonneux (France)	EUR	39,000	Saipem sa Third parties	70.00 30.00	70.00	P.C.
Saidel Ltd	Lagos (Nigeria)	NGN	236,650,000	Saipem International BV Third parties	49.00 51.00	49.00	E.M.
Saipar Drilling Co BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
Saipem Taqa Al Rushaid Fabricators Co Ltd	Dammam (Saudi Arabia)	SAR	40,000,000	Saipem International BV Third parties	40.00 60.00	40.00	E.M.
Saipon snc	Montigny le Bretonneux (France)	EUR	20,000	Saipem sa Third parties	60.00 40.00	60.00	P.C.
Sairus Llc	Krasnodar (Russian Federation)	RUB	83,603,800	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
Servicios de Construcciones Caucedo sa (**)	Santo Domingo (Dominican Republic)	DOP	100,000	Saipem sa Third parties	49.70 50.30	49.70	E.M.
Société pour la Réalisation du Port de Tanger Méditerranée	Anjra (Morocco)	EUR	33,000	Saipem sa Third parties	33.33 66.67	33.33	P.C.
Southern Gas Constructors Ltd	Lagos (Nigeria)	NGN	10,000,000	Saipem International BV Third parties	50.00 50.00	50.00	P.C.
SPF - TKP Omifpro Snc	Paris (France)	EUR	50,000	Saipem sa Third parties	50.00 50.00	50.00	P.C.
Sud-Soyo Urban Development Lda	Soyo (Angola)	AOA	20,000,000	Saipem sa Third parties	49.00 51.00	49.00	E.M.
T.C.P.I. Angola Tecnoprojecto Internacional sa	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00	24.50	E.M.
Tchad Cameroon Maintenance BV	Rotterdam (Netherlands)	EUR	18,000	Saipem sa Third parties	40.00 60.00	40.00	E.M.
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	Porto Salvo - Concelho de Oeiras (Portugal)	EUR	700,000	Saipem sa Third parties	42.50 57.50	42.50	E.M.

(*) 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 - Serviços de Engenharia Lda	100.00	25.00	E.M.
TSKJ - Nigeria Ltd	Lagos (Nigeria)	NGN	50,000,000	TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	100.00	25.00	E.M.
TSKJ - Serviços de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.

The Saipem Group comprises 117 companies: 61 are consolidated using the full consolidation method, 21 using the proportionate consolidation method, 31 using the equity method and 4 using the cost method.
At December 31, 2012, the companies of Saipem SpA can be broken down as follows:

	Subsidiaries			Associates and joint ventures		
	Italy	**Outside Italy**	**Total**	**Italy**	**Outside Italy**	**Total**
Subsidiaries and their participating interests	**3**	**58**	**61**	**4**	**17**	**21**
Companies consolidated using the full consolidation method	3	58	61	-	-	-
Companies consolidated using the proportional method	-	-	-	4	17	21
Participating interests held by consolidated companies (1)	**1**	**8**	**9**	**6**	**20**	**26**
Accounted for using the equity method	-	6	6	5	20	25
Accounted for using the cost method	1	2	3	1	-	1
Total companies	**4**	**66**	**70**	**10**	**37**	**47**

(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, 2011, are detailed below in date order.

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:
- **BOS Investment Ltd** (in liquidation), previously consolidated using the full consolidation method, was consolidated using the cost method pending its removal from the Register of Companies;
- **BOS-UIE Ltd** (in liquidation), previously consolidated using the full consolidation method, was consolidated using the cost method pending its removal from the Register of Companies;
- **Saipem Energy Services SpA**, previously consolidated using the full consolidation method, was merged by incorporation into Saipem SpA;
- **Snamprogetti Management Services SA** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA**, with registered offices in Italy, was incorporated and is accounted for using the equity method;
- **Caspian Barge Builders Pte Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem East Africa Ltd**, with registered offices in Uganda, was incorporated and is accounted for using the equity method;
- **Saipem Drilling Norway AS**, with registered offices in Norway, was incorporated and consolidated using the full consolidation method;
- **Sairus Llc**, previously consolidated using the full consolidation method, was consolidated using the proportionate method following the sale of a 50% ownership interest to third parties;
- **Nigetecsa Free Zone Enterprise**, previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem Engineering Nigeria Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Shipping & Maritime Services Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem Logistics Services Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Star Gulf Free Zone Co**, previously consolidated using the full consolidation method, was sold to third parties;
- **BOS Shelf Ltd Society**, previously consolidated using the proportionate method, is now owned by third parties, following the sale of Star Gulf Free Zone Co;
- **TZS, Llc (NV)**, previously consolidated using the proportionate method, was removed from the Register of Companies;
- **TZS, Llc (TX)**, previously consolidated using the proportionate method, was removed from the Register of Companies;
- **Technip-Zachry-Saipem LNG Lp**, previously consolidated using the proportionate method, was removed from the Register of Companies;
- **Saipem Qatar Llc**, previously accounted for using the equity method, was placed into liquidation;
- **SP-TKP Fertilizer Srl** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- Saipem International BV purchased a 49% interest in **Saidel Ltd**, with registered office in Nigeria, which is accounted for using the equity method;
- **Milano-Brescia-Verona Scarl**, accounted for using the equity method, was placed into liquidation;
- **Nigerian Services & Supply Co Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Terminal Portuàrio do Guarujá SA**, previously consolidated using the full consolidation method, was merged by incorporation into Saipem do Brasil Serviços de Petròleo Ltda;
- **Medsai SAS**, previously consolidated using the full consolidation method, was merged into Saipem sa and subsequently removed from the Register of Companies;
- **TBE Ltd** (in liquidation), previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem Mediteran Usluge doo**, consolidated using the full consolidation method, was placed into liquidation;
- **Denuke Scarl**, with registered offices in Italy, was incorporated and consolidated using the full consolidation method;
- **CSC Netherlands BV**, with registered offices in the Netherlands, was incorporated and is accounted for using the equity method;
- **ERSAI Marine Llc**, previously consolidated using the equity method, was consolidated using the full consolidation method, as it exceeded the relevant size;
- **Professional Training Center Llc**, previously consolidated using the equity method, was consolidated using the full consolidation method due to materiality considerations;
- **Sonsub AS**, previously consolidated using the proportionate method, was placed into liquidation and subsequently removed from the Register of Companies;
- **Saipem UK Ltd**, consolidated using the full consolidation method, was placed into liquidation;
- **Snamprogetti Ltd**, consolidated using the full consolidation method, was placed into liquidation.

Changes of company names or transfers of holdings between Group companies not affecting the scope of consolidation:
- **Servizi Energia Italia SpA**, consolidated using the full consolidation method, is now fully owned by Saipem SpA following this latter's absorption of Saipem Energy Services SpA;
- **Consorzio F.S.B.**, consolidated using the cost method, is now owned by Saipem SpA following this latter's absorption of Saipem Energy Services SpA;
- **Société pour la Réalisation du Port de Tanger Méditerranée**, consolidated using the proportionate method, is now owned by Saipem sa following the merger of Medsai SAS.

Changes in functional currencies:
- **Global Petroprojects Services AG** changed its functional currency from the Swiss Franc to the euro, beginning January 1, 2012;
- **Saipem Offshore Norway AS** changed its functional currency from the Norwegian Kroner to the euro, beginning April 1, 2012.

Current assets

1 Cash and cash equivalents

Cash and cash equivalents amounted to €1,325 million, an increase of €296 million compared with December 31, 2011 (€1,029 million).
Cash and equivalents at year-end, 36% of which are denominated in euro, 35% in US dollars and 29% in other currencies, received an average interest rate of 0.598%. €642 million thereof (€572 million at December 31, 2011) are on deposit at Eni Group financial companies. Cash and cash equivalents included cash and cash on hand of €5 million (€7 million at December 31, 2011).
Funds in two current accounts held by the subsidiary Saipem Contracting Algérie SpA (equivalent to €74 million at December 31, 2012) have been temporarily frozen since February 2010 in connection with an investigation underway. The increase, amounting to the equivalent of €43 million compared with the situation at December 31, 2011 (equivalent of €31 million), was due to payments received for works milestones reached and accepted by the Client.
In June 2012, the subsidiary Saipem sa deposited the equivalent of €10.2 million in an escrow account pending the resolution of a dispute with a client.
The breakdown of cash and cash equivalents of Saipem and other Group companies at December 31, 2012 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Italy	72	64
Rest of Europe	620	827
CIS	37	156
Middle East	61	41
Far East	28	26
North Africa	11	92
West Africa and Rest of Africa	143	59
Americas	57	60
Total	**1,029**	**1,325**

2 Trade and other receivables

Trade and other receivables of €3,252 million (€3,504 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Trade receivables	2,822	2,582
Financing receivables for operating purposes	3	3
Financing receivables for non-operating purposes	75	79
Prepayments for services	405	384
Other receivables	199	204
Total	**3,504**	**3,252**

Receivables are stated net of the provision for impairment losses of €112 million:

(€ million)	Dec. 31, 2011	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2012
Trade receivables	94	6	(9)	(1)	(1)	89
Other receivables	11	-	(1)	-	13	23
Total	**105**	**6**	**(10)**	**(1)**	**12**	**112**

Trade receivables amounted to €2,582 million, representing a decrease of €240 million versus December 31, 2011.
At December 31, 2012, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including not past due receivables, amounting to €163 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 €183 million (€116 million at December 31, 2011), of which €54 million were due within one year and €129 million due after one year.
Trade receivables neither past due nor impaired amounted to €1,944 million (€2,213 million at December 31, 2011). Receivables past due, but not impaired, amounted to €638 million (€609 million at December 31, 2011), of which €329 million from 1 to 90 days past due, €58 million from 3 to 6 months past due, €143 million from 6 to 12 months past due and €108 million more than one year past due. These receivables were primarily due from high credit quality counterparties.

Financing receivables for operating purposes of €3 million (€3 million at December 31, 2011) are mainly related to the receivable held by Saipem SpA from Serfactoring SpA.
Financing receivables for non-operating purposes of €79 million (€75 million at December 31, 2011) are related to the receivable of €54 million held by Saipem America Inc from Eni Finance USA Inc for a financial loan and the deposit of €25 million paid by Snamprogetti Netherlands BV in relation to the TSKJ matter (see the 'Legal proceedings' section for full details).
Receivables from jointly controlled companies, with regard to the non-consolidated portion, amounted to €105 million and mainly relate to Saipon snc and CEPAV (Consorzio Eni per l'Alta Velocità) Uno.
Other receivables of €204 million consisted of the following:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Receivables from:		
- insurance companies	56	53
- employees	28	30
Guarantee deposits	10	11
Other	105	110
Total	**199**	**204**

Other receivables neither past due nor impaired amounted to €194 million (€156 million at December 31, 2011). Other receivables past due, but not impaired, amounted to €10 million (€43 million at December 31, 2011), of which €3 million from 1 to 90 days past due, €1 million from 6 to 12 months past due and €6 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 €948 million (€880 million at December 31, 2011) 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 €1,718 million (€1,822 million at December 31, 2011) and their breakdown by currency was as follows:
- US Dollar 69% (75% at December 31, 2011);
- Saudi Arabian Riyal 8% (6% at December 31, 2011);
- Algerian Dinar 4% (7% at December 31, 2011);
- other currencies 19% (12% at December 31, 2011).

3 Inventories

Inventories of €2,332 million (€1,353 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Raw and auxiliary materials and consumables	471	477
Work in progress	882	1,855
Total	**1,353**	**2,332**

Inventories are stated net of the valuation allowance of €10 million:

(€ million)	Dec. 31, 2011	Additions	Deductions	Other changes	Dec. 31, 2012
Inventories valuation allowance	9	8	(7)	-	10
	9	**8**	**(7)**	**-**	**10**

The increase in contract work in progress was due to time lags between actual project progress and the achievement of contractual invoicing milestones, and to the recognition of additional contract revenues that were deemed probable and reasonably estimated.
Information on construction contracts accounted for in accordance with IAS 11 is provided in Note 43 'Segment information, geographical information and construction contracts'.

4 Current tax assets

Current tax assets of €238 million (€78 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Italian tax authorities	6	75
Foreign tax authorities	72	163
Total	**78**	**238**

The increase in current tax assets of €160 million was mainly due to the increase in tax credits from Italian tax authorities held by Saipem SpA and to the increase in tax credits from foreign tax authorities held by Saipem Contracting (Nigeria) Ltd.

5 Other current tax assets

Other current tax assets of €271 million (€256 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Italian tax authorities:	40	85
- VAT credits	38	84
- other	2	1
Foreign tax authorities:	216	186
- indirect tax credits	115	165
- other	101	21
Total	**256**	**271**

The increase in current tax assets of €15 million was mainly related to the increase in VAT credits from Italian tax authorities held by Saipem SpA, partially offset by a decrease in other indirect tax credits from foreign tax authorities.

6 Other current assets

Other current assets of €388 million (€498 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Fair value of hedging derivatives	176	150
Fair value of non-hedging derivatives	50	39
Other assets	272	199
Total	**498**	**388**

At December 31, 2012, derivative instruments had a positive fair value of €189 million (€226 million at December 31, 2011).
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, 2012, 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 shown in the following table:

	Assets Dec. 31, 2011			Assets Dec. 31, 2012		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	168			-		
. sale	10			162		
Total	178			162		
- forward currency contracts (Forward component)						
. purchase	(3)			3		
. sale	-			(11)		
Total	(3)	2,607	119	(8)	347	6,277
- forward commodity contracts (Forward component)						
. purchase	1	5		-	-	
Total	1	5	-	-	-	-
Total derivative contracts qualified for hedge accounting	**176**	**2,612**	**119**	**154**	**347**	**6,277**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	49			5		
. sale	-			36		
Total	49			41		
- forward currency contracts (Forward component)						
. purchase	1			(1)		
. sale	-			(1)		
Total	1	1,590	28	(2)	737	1,777
- forward commodity contracts (Forward component)						
. sale	-		1	-		-
Total	-	-	1	-	-	-
Total derivative contracts not qualified for hedge accounting	**50**	**1,590**	**29**	**39**	**737**	**1,777**
Total	**226**	**4,202**	**148**	**193**	**1,084**	**8,054**

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, 2012 are expected to occur up until 2014.
During 2012, there were no cases of hedged items being no longer considered highly probable.
The fair value of derivative liabilities qualified for hedge accounting at December 31, 2012, analysed in Note 13 'Other current liabilities' amounted to €154 million (€176 million at December 31, 2011). The spot component of these derivatives of €162 million (€178 million at December 31, 2011) was deferred in a hedging reserve in equity (€150 million; €155 million at December 31, 2011) and recorded as finance income and expense (€12 million; €23 million at December 31, 2011), while the forward component, which does not qualify as a hedging instrument, was also recognised as finance income and expense (€8 million; €3 million at December 31, 2011).
The fair value of derivative liabilities qualified for hedge accounting at December 31, 2012, analysed in Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities', was €61 million (€380 million at December 31, 2011). The spot component of these derivatives of €68 million was deferred in a hedging reserve in equity (€60 million at December 31, 2012; €360 million at December 31, 2011) and recorded as finance income and expense (€8 million at December 31, 2012; €28 million at December 31, 2011), while the forward component, amounting to €7 million (€8 million at December 31, 2011), was also recognised as finance income and expense.
The change in the hedging reserve between December 31, 2011 and December 31, 2012 was due fair value changes in hedging transactions effective during the entire year; new hedges entered into during the year; and to the transfer of hedging gains or losses from equity to the income statement on account of the hedged transactions affecting profit or loss, or following the termination of the hedge against risk exposures which are no longer certain or highly probable.
During the year, operating revenues and expenses were adjusted by a net negative amount of €63 million to reflect the effects of hedging. In addition, €3 million was recorded as a decrease in the cost of construction of tangible assets.
Other assets at December 31, 2012 amounted to €199 million, a decrease of €73 million compared with December 31, 2011, and consisted mainly of prepayments.
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 amounting to €8,254 million (€8,024 million at December 31, 2011) consisted of the following:

(€ 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, 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**
Dec. 31, 2012										
Land	110	-	-	(1)	-	(10)	(1)	98	98	-
Buildings	542	9	(55)	(2)	-	(7)	62	549	767	218
Plant and machinery	4,566	322	(580)	(15)	-	(19)	1,975	6,249	9,936	3,687
Industrial and commercial equipment	190	30	(48)	-	-	(2)	5	175	644	469
Other assets	39	21	(13)	-	-	(2)	45	90	191	101
Assets under construction and advances	2,577	620	(20)	-	-	-	(2,084)	1,093	1,093	-
Total	**8,024**	**1,002**	**(716)**	**(18)**	**-**	**(40)**	**2**	**8,254**	**12,729**	**4,475**

Capital expenditure during the year amounted to €1,002 million (€1,193 million at December 31, 2011) and related to the following sectors: Offshore E&C (€518 million), Offshore Drilling (€283 million), Onshore Drilling (€121 million) and Onshore E&C (€80 million).

The main items of capital expenditure included:

- in the Offshore Engineering & Construction sector, the construction of a new pipelayer, ongoing work to develop a new fabrication yard in Indonesia, the beginning of construction work on a new base in Brazil and the maintenance and upgrading of the existing asset base;
- in the Offshore Drilling sector, completion works on the Scarabeo 8, upgrading works on the Scarabeo 6 to enable it to operate in water depths of up to 1,100 metres, class reinstatement works on the Scarabeo 3, and maintenance and upgrading of the existing asset base;
- in the Onshore Drilling sector, a new rig which entered into operation in Saudi Arabia in the third quarter, and five rigs due to operate in Saudi Arabia, in addition to the upgrading of the existing asset base;
- in the Onshore Engineering & Construction sector, the purchase of equipment and facilities for yards in Iraq and Canada, in addition to the maintenance of existing assets.

Impairment mainly related to equipment on the Scarabeo 8.

No finance expenses were capitalised during the period (€10 million at December 31, 2011).

The main depreciation rates used were as follows:

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

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

Exchange rate differences due to the translation of financial statements prepared in currencies other than the euro, amounting to -€40 million, mainly related to companies whose functional currency is the US dollar.
Fully depreciated property, plant and equipment that is still in use mainly consisted of project-specific equipment which has been fully depreciated over the life of the project.
During the year, no government grants were recorded as a decrease of the carrying value of property, plant and equipment.
At December 31, 2012, 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, 2012 amounted to €347 million (€201 million at December 31, 2011), as indicated in 'Summary of significant accounting policies - Risk management'.

Finance leases

Saipem currently has no finance leases.

8 Intangible assets

Intangible assets of €756 million (€752 million at December 31, 2011) consisted of the following:

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

Concessions, licenses and trademarks, and industrial patents and intellectual property rights of €3 million and €15 million, respectively, consisted mainly of costs for the implementation of SAP applications and modules at the parent company (total of €15 million in 2011).
The main amortisation rates were as follows:

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

Goodwill of €731 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 (€16 million) on the date that control was acquired.
For impairment purposes, goodwill has been allocated to the following cash-generating units:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Offshore E&C	415	415
Onshore E&C	315	316
Total	**730**	**731**

The changes in the Onshore E&C cash generating unit concern a change in goodwill of the Moss Maritime Group due to effects of changes in foreign exchange rates.
The recoverable amount of the two cash generating units was determined based on value in use, calculated by discounting the future cash flows expected to result from the use of each CGU.
The expected future cash flows for the explicit forecast period of four years were derived from Saipem's 2013-2016 Strategic Plan, which was approved by top management in January 2013. The forecast cash flows based on the plan assume that, downstream of the major programme of investments nearing completion, the new assets will be used in large frontier projects and that the backlog of orders at December 31, 2012 will not be affected by cancellations or renegotiations.
Value in use was calculated by discounting expected future post-tax cash flows at a rate of 7.8% (down 0.7% 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 normalised terminal cash flow. Assumptions were based on past experience and took into account current interest rates, business specific risks and expected long-term growth for the sectors.
Post-tax cash flows and discounting rates are used as they result in values similar to those resulting from a 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	316	731
Amount by which recoverable amount exceeds carrying amount	3,224	3,792	7,016

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 44% in the operating result;
- use of a discount rate of 12%;
- negative real growth rate.

Changes in each of the assumptions, ceteris paribus, that would cause the excess of the recoverable amount of the Offshore cash generating unit over its carrying amount, including the allocated portion of goodwill, to be reduced to zero 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 €116 million euros (€109 million at December 31, 2011) consisted of the following:

(€ million)	Opening net value	Acquisitions and subscriptions	Sale and redemption	Share of profit of equity-accounted investments	Share of loss of equity-accounted investments	Deduction for dividends	Change in the scope of consolidation	Currency translation differences	Other changes	Closing net value	Provision for impairment
Dec. 31, 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**	**-**
Dec. 31, 2012											
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Investments in associates	109	1	(1)	9	-	(2)	-	-	-	116	-
Total	**109**	**1**	**(1)**	**9**	**-**	**(2)**	**-**	**-**	**-**	**116**	**-**

Investments in subsidiaries and associates at December 31, 2012 are analysed in the section 'Scope of consolidation at December 31, 2012'.
Share of profit of investments accounted for using the equity method of €9 million related mainly to profits recorded by Rosetti Marino SpA (€4 million), Saipem Taqa Al Rushaid Fabricators Co Ltd (€2 million) and profits of other companies accounted for using the equity method (€3 million).
Deductions following the distribution of dividends of €2 million related to Kwanda Suporte Logistico Lda and Rosetti Marino SpA.
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, 2011	Net value at Dec. 31, 2012
Fertilizantes Nitrogenados de Oriente CEC	20.00	68	68
Rosetti Marino SpA	20.00	25	29
Other		16	19
Total associates		**109**	**116**

Following the use by Kwanda Suporte Logistico Lda of €8 million from provisions for losses on investments included in provisions for contingencies, said fund, which amounted to €8 million at December 31, 2011, was reduced to zero.
In October 2010, the Venezuelan company, Fertilizantes Nitrogenados de Oriente CEC, was the subject of an expropriation order. Venezuelan law provides for a procedure for the definition of fair compensation through negotiation.
In 2012, Snamprogetti Netherlands BV negotiated an indemnity agreement for its investment in Fertinitro. This is nearing completion, with methods of payment (i.e. cash or other schemes such as oil) and time frames still to be agreed upon. At the present moment in time, there is no reason to doubt that the indemnity agreement will reach a satisfactory conclusion. On the basis of the forthcoming agreement, maintaining the carrying amount of the investment is justified.

10 Other investments

The Indian company Nagarjuna Fertilizers & Chemicals Ltd underwent complex restructuring which led to the creation of a new company, Nagarjuna Oil Refinery Ltd, listed on the Bombay Stock Exchange (BSE) and on the National Stock Exchange (NSE), and to the incorporation of Nagarjuna Fertilizers & Chemicals Ltd into Kakinada Fertilizers Ltd.
The latter, in turn, changed name, now calling itself Nagarjuna Fertilizers & Chemicals Ltd.
The shares held were converted into two share packages, corresponding to 0.93% for Nagarjuna Oil Refinery Ltd and to 0.74% for Nagarjuna Fertilizers & Chemicals Ltd.

Other information about investments

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

	Dec. 31, 2011		Dec. 31, 2012	
(€ million)	Subsidiaries	Associates	Subsidiaries	Associates
Total assets	3	478	4	571
Total liabilities	3	378	4	456
Net revenues	1	243	1	208
Operating profit	-	18	-	18
Net profit (loss) for the year	-	16	-	15

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

11 Other financial assets

At December 31, 2012, other long-term financial assets amounted to €1 million (€2 million at December 31, 2011) and related to financing receivables held for non-operating purposes by Sofresid sa.

12 Deferred tax assets

Deferred tax assets of €88 million (€100 million at December 31, 2011) are shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2011	Additions	Deductions	Currency translation differences and other changes	Dec. 31, 2012
Deferred tax assets	100	86	(55)	(43)	88
Total	**100**	**86**	**(55)**	**(43)**	**88**

'Currency translation differences and other changes', which amounted to negative €43 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €21 million); (ii) exchange rate differences (negative €2 million); (iii) the tax effects (negative €14 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iv) other changes (negative €6 million).

13 Other non-current assets

Other non-current assets of €174 million (€146 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Fair value of hedging derivatives	-	4
Other receivables	15	10
Other non-current assets	131	160
Total	**146**	**174**

The fair value of hedging derivatives related to foreign exchange risk hedges entered into by Saipem SpA and Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda with the Eni Group, which mature in 2014.
Other non-current assets mainly related to prepayments.

Current liabilities

14 Short-term debt

Short-term debt of €1,740 million (€956 million at December 31, 2011) consisted of the following:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Banks	93	210
Other financial institutions	863	1,530
Total	**956**	**1,740**

Short-term debt increased by €784 million.
The current portion of long-term debt, amounting to €400 million (€766 million at December 31, 2011), 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, 2011			Dec. 31, 2012		
			Interest rate %			Interest rate %	
Issuing institution	Currency	Amount	from	to	Amount	from	to
Eni SpA	Euro	762	1.770	3.315	1,340	3.315	3.315
Serfactoring	Euro	17	-	-	10	-	-
Eni Finance International SA	Euro	12	1.264	2.264	12	0.352	2.102
Eni Finance International SA	US Dollar	35	0.625	1.915	161	0.859	2.259
Third parties	Euro	21	2.020	2.020	-	-	-
Third parties	US Dollar	23	0.420	1.695	7	0.859	1.608
Third parties	Other	86	variable		210	variable	
Total		**956**			**1,740**		

At December 31, 2012, Saipem had unused lines of credit amounting to €1,704 million (€1,706 million at December 31, 2011). Commission fees on unused lines of credit were not significant.
At December 31, 2012, there was no unfulfillment of terms and conditions or violation of agreements in relation to financing contracts.
Short-term debt to related parties is shown in Note 44 'Transactions with related parties'.

15 Trade and other payables

Trade and other payables of €4,982 million (€5,341 million at December 31, 2011) consisted of the following:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Trade payables	2,954	2,962
Advances	1,996	1,700
Other payables	391	320
Total	**5,341**	**4,982**

Trade and other payables of €2,962 million increased by €8 million versus December 31, 2011.
Advances of €1,700 million (€1,996 million at December 31, 2011), consisted mainly of adjustments to revenues from long-term contracts of €809 million (€1,152 million at December 31, 2011) made on the basis of amounts contractually earned in accordance with the accruals concept and advances on contract work in progress received by Saipem SpA and a number of foreign subsidiaries of €891 million (€844 million at December 31, 2011).
Trade payables to related parties amounted to €177 million (€246 million at December 31, 2011) and are shown in Note 44 'Transactions with related parties'.
Payables to jointly controlled companies, with regard to the non-consolidated portion, amounted to €11 million (€3 million at December 31, 2011) and related to CEPAV (Consorzio Eni per l'Alta Velocità) Uno.

Other payables of €320 million were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Payables to:		
- employees	146	153
- non-financial governmental entities	1	-
- national insurance/social security contributions	61	65
- insurance companies	5	7
- creditors relating to advances	15	34
- consultants and professionals	2	3
- shareholders	1	-
- Board Directors and Statutory Auditors	1	1
Other payables	159	57
Total	**391**	**320**

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 taxes payable of €250 million (€244 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Italian tax authorities	65	1
Foreign tax authorities	179	249
Total	**244**	**250**

The increase in income tax payables of €6 million was related mainly to amounts payable to foreign tax authorities by Saipem Contracting (Nigeria) Ltd and Saipem Ltd, partially offset by the decrease in amounts payable to Italian tax authorities by Saipem SpA.

17 Other current tax liabilities

Other current tax liabilities of €129 million (€150 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Italian tax authorities:	11	15
- other	11	15
Foreign tax authorities:	139	114
- indirect tax	91	66
- other	48	48
Total	**150**	**129**

The decrease in other current tax liabilities of €21 million was related mainly to a reduction in amounts payable to foreign tax authorities by Saipem SpA.

18 Other current liabilities

Other current liabilities of €93 million (€506 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Fair value of hedging derivatives	380	60
Fair value of non-hedging derivatives	121	29
Other liabilities	5	4
Total	**506**	**93**

At December 31, 2012, derivative instruments had a negative fair value of €89 million (€501 million at December 31, 2011).

The following table shows the fair value of derivative assets and liabilities at December 31, 2012:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Positive fair value of derivative contracts	226	193
Negative fair value of derivative contracts	(501)	(90)
Total	**(275)**	**103**

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

The fair value of forward contracts (forward outrights and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding at December 31, 2012, 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 negative fair value of derivative contracts broken down by type, including the non-current portion analysed in Note 23 'Other non-current assets', is as follows:

	Liabilities Dec. 31, 2011			Liabilities Dec. 31, 2012		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	5			65		
. sale	382			3		
Total	387			68		
- forward currency contracts (Forward component)						
. purchase	1			(7)		
. sale	(14)			-		
Total	(13)	143	5,004	(7)	2,519	276
- forward commodity contracts (Forward component)						
. purchase	6	-		-	-	
Total	6	27	-	-	10	-
Total derivative contracts qualified for hedge accounting	**380**	**170**	**5,004**	**61**	**2,529**	**276**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	2			28		
. sale	115			1		
Total	117			29		
- forward currency contracts (Forward component)						
. purchase	1			(1)		
. sale	2			1		
Total	3	58	2,465	-	1,422	258
- forward commodity contracts (Forward component)						
. purchase	1			-		
. sale	-			-		
Total	1	6	1	-	-	-
Total derivative contracts not qualified for hedge accounting	**121**	**64**	**2,466**	**29**	**1,422**	**258**
Total	**501**	**234**	**7,470**	**90**	**3,951**	**534**

For a comprehensive analysis of the fair value of hedging derivatives, see Note 6 'Other current assets', Note 13 'Other non-current assets' and Note 23 'Other non-current liabilities'.

Other current liabilities amounted to €4 million (€5 million at December 31, 2011).

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 €3,943 million (€3,342 million at December 31, 2011) and was as follows:

	Dec. 31, 2011			Dec. 31, 2012		
(€ million)	Current portion of short-term debt	Current portion of long-term debt	Total	Current portion of short-term debt	Current portion of long-term debt	Total
Banks	1	200	201	1	200	201
Other financial institutions	765	2,376	3,141	399	3,343	3,742
Total	**766**	**2,576**	**3,342**	**400**	**3,543**	**3,943**

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

(€ million)

Type	Maturity range	2014	2015	2016	2017	After	Total
Banks	2015	-	200	-	-	-	200
Other financial institutions	2014-2024	1,182	823	581	488	269	3,343
Total		**1,182**	**1,023**	**581**	**488**	**269**	**3,543**

Long-term debt amounted to €3,543 million, up €967 million versus December 31, 2011 (€2,576 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, 2011			Dec. 31, 2012		
				Interest rate %			Interest rate %	
Issuing institution	Currency	Maturity	Amount	from	to	Amount	from	to
Eni SpA	Euro	2013-2017	653	2.020	4.950	843	1.109	4.950
Eni Finance International SA	Euro	2013-2024	983	1.334	5.970	1,766	0.562	5.970
Eni Finance International SA	US Dollar	2013-2016	1,505	0.795	5.100	1,133	0.759	5.100
Third parties	Euro	2013-2015	201	3.315	3.315	201	3.315	3.315
Total			**3,342**			**3,943**		

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 €3,862 million (€3,088 million at December 31, 2011) and was calculated by discounting the expected future cash flows at the following rates:

(%)	2011	2012
Euro	1.31-2.61	0.19-1.76
US Dollar	0.29-1.13	0.21-0.54

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.

Long-term debt to related parties is shown in Note 44 'Transactions with related parties'.

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

	Dec. 31, 2011			Dec. 31, 2012		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	1,029	-	1,029	1,325	-	1,325
B. Available-for-sale and held-to-maturity securities	-	-	-	-	-	-
C. Liquidity (A+B)	**1,029**	**-**	**1,029**	**1,325**	**-**	**1,325**
D. Financing receivables	**75**	**-**	**75**	**79**	**-**	**79**
E. Short-term bank debt	93	-	93	210	-	210
F. Long-term bank debt	1	200	201	1	200	201
G. Short-term related party debt	826	-	826	1,523	-	1,523
H. Long-term related party debt	765	2,376	3,141	399	3,343	3,742
I. Other short-term debt	37	-	37	7	-	7
L. Other long-term debt	-	-	-	-	-	-
M. Total borrowings (E+F+G+H+I+L)	**1,722**	**2,576**	**4,298**	**2,140**	**3,543**	**5,683**
N. Net financial position pursuant to Consob Communication No. DEM/6064293/2006 (M-C-D)	**618**	**2,576**	**3,194**	**736**	**3,543**	**4,279**
O. Non-current financing receivables	**-**	**2**	**2**	**-**	**1**	**1**
P. Net borrowings (N-O)	**618**	**2,574**	**3,192**	**736**	**3,542**	**4,278**

Net borrowings do not include the fair value of derivative contracts indicated in Note 6 'Other current assets', Note 13 'Other non-current assets', Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities'.
Cash and cash equivalents included the equivalent of €74 million deposited in accounts that are temporarily frozen and the equivalent of €10 million in an escrow account as indicated in Note 1 'Cash and cash equivalents'.

20 Provisions for contingencies

Provisions for contingencies of €163 million (€209 million at December 31, 2011) consisted of the following:

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

The **provisions for taxes** amounted to €44 million related principally 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 €28 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 of investments** was used up completely in 2012, following the valuation of the participating interest in Kwanda Suporte Logistico Lda.
Other provisions amounted to €91 million and principally consisted of an estimate of expected losses on long-term contracts in the Offshore and Onshore Engineering & Construction sector.
With respect to the foregoing liabilities, Saipem does not reasonably expect any material additional losses beyond those amounts accrued above.

21 Provisions for employee benefits

Provisions for employee benefits of the Saipem Group concern 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 related 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 to either 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 at December 31, 2012 amounted to €217 million (€200 million at December 31, 2011).

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Employee termination indemnities (TFR)	55	52
Foreign pension plans	92	106
Supplementary medical reserve for Eni managers (FISDE)	14	14
Deferred monetary incentive scheme	29	32
Jubilee awards	10	13
Total	**200**	**217**

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, 2011						
Present value of benefit obligation at beginning of year	**57**	**157**	**58**	**99**	**60**	**216**
Current cost	-	19	-	19	11	30
Finance expense	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**
Dec. 31, 2012						
Present value of benefit obligation at beginning of year	**52**	**182**	**66**	**116**	**55**	**223**
Current cost	-	17	-	17	13	30
Finance expense	2	7	-	7	2	11
Return on plan assets	-	-	3	(3)	-	(3)
Contributions paid	-	-	7	(7)	-	(7)
Actuarial gains (losses)	9	17	1	16	6	31
Benefits paid	(5)	(9)	(3)	(6)	(11)	(22)
Amendments, curtailments and settlements	-	(3)	-	(3)	-	(3)
Currency translation differences and other changes	1	(9)	(3)	(6)	-	(5)
Present value of benefit obligation at end of year	**59**	**202**	**71**	**131**	**65**	**255**

The present value of the obligation for other long-term benefits of €65 million (€55 million at December 31, 2011) related to FISDE (€20 million; €16 million at December 31, 2011), jubilee awards (€13 million; €10 million at December 31, 2011) and the deferred monetary incentive scheme, including the long-term monetary scheme (€32 million; €29 million at December 31, 2011).
The current cost and benefits paid related to Employee Termination Indemnities at December 31, 2012 were adjusted to reflect the effect of the conversion of the plan from a defined benefits plan to a defined contribution plan.
The reconciliation analysis of benefit obligations and plan assets was as follows:

	TFR		Foreign pension plans		Other long-term benefits	
(€ million)	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012
Present value of funded benefit obligations						
Present value of plan assets	-	-	66	71	-	-
Net present value of funded benefit obligations	**-**	**-**	**20**	**26**	**-**	**-**
Present value of unfunded benefit obligations	**52**	**59**	**96**	**105**	**55**	**65**
Unrecognised actuarial gains (losses)	3	(7)	(24)	(23)	(2)	(6)
Unrecognised past service cost	-	-	-	(2)	-	-
Amount not recognised as plan assets	-	-	-	-	-	-
Net liability recognised in provision for employee benefits	**55**	**52**	**92**	**106**	**53**	**59**

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

(€ million)	TFR	Foreign pension plans	Other long-term benefits	Total
2011				
Current cost	-	19	11	30
Finance expense	2	6	2	10
Expected return on plan assets	-	(3)	-	(3)
Amortisation of actuarial gains (losses)	-	1	-	1
Amortisation of past service cost	-	(1)	-	(1)
Effect of curtailments and settlements	-	-	-	-
Total costs	**2**	**22**	**13**	**37**
2012				
Current cost	-	17	13	30
Finance expense	2	7	2	11
Expected return on plan assets	-	(3)	-	(3)
Amortisation of actuarial gains (losses)	-	8	2	10
Amortisation of past service cost	-	1	-	1
Effect of curtailments and settlements	-	(3)	-	(3)
Total costs	**2**	**27**	**17**	**46**

Costs for other long-term benefits of €17 million (€13 million at December 31, 2011) 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
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
2012			
Main actuarial assumptions:			
- discount rates	3	2.25-13.00	1.15-3.00
- rate of compensation increase	3	4.10-9.25	-
- expected rate of return on plan assets	-	2.00-12.00	-
- rate of inflation	2	1.75-11.00	2

The discount rate is based on the yields of highly rated (AA) corporate bonds. Where these were not available, state bonds were considered.
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, 2012		
Shares	3.53	8.60
Bonds	59.05	4.32
Real estate	7.02	9.60
Other	30.40	4.43

The actual return on plan assets was a gain of €4 million (€3 million at December 31, 2011).
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	3.3	(2.7)

The amount expected to be accrued to defined benefit plans for 2012 amounted to €9 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
2011				
Impact on net benefit obligation	-	(3)	1	(1)
Impact on plan assets	-	-	-	-
2012				
Impact on net benefit obligation	-	4	-	(1)
Impact on plan assets	-	(1)	-	-

22 Deferred tax liabilities

Deferred tax liabilities of €122 million (€79 million at December 31, 2011) are shown net of offsettable deferred tax assets of €149 million.

(€ million)	Dec. 31, 2011	Additions	Deductions	Currency translation differences and other changes	Dec. 31, 2012
Deferred tax liabilities	79	89	(35)	(11)	122
Total	**79**	**89**	**(35)**	**(11)**	**122**

'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 €21 million); (ii) exchange rate differences (negative €1 million); (iii) the positive tax effects (€10 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iv) other changes (positive €1 million).

Net deferred tax liabilities consisted of the following:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Deferred tax liabilities	(207)	(271)
Deferred tax assets available for offset	128	149
	(79)	**(122)**
Deferred tax assets not available for offset	100	88
Net deferred tax assets (liabilities)	**21**	**(34)**

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

(€ million)	Dec. 31, 2011	Additions	Deductions	Currency translation differences and other changes	Dec. 31, 2012
Deferred tax liabilities:					
- accelerated tax depreciation	(13)	(31)	2	(14)	(56)
- provisions for contingencies	-	(5)	-	(1)	(6)
- derivative contracts qualified for hedge accounting	(16)	(3)	3	(2)	(18)
- employee benefits	(5)	-	2	-	(3)
- non distributed reserves held by investments	(86)	(25)	-	-	(111)
- project progress status	(36)	(17)	19	(1)	(35)
- other	(51)	(8)	9	8	(42)
	(207)	**(89)**	**35**	**(10)**	**(271)**
Deferred tax assets:					
- accruals for impairment losses and provisions for contingencies	58	10	(9)	(7)	52
- non-deductible amortisation	25	1	(7)	2	21
- derivative contracts qualified for hedge accounting	12	2	(3)	(6)	5
- employee benefits	12	5	(2)	4	19
- carry-forward tax losses	94	53	(22)	(10)	115
- project progress status	28	10	(11)	-	27
- other	72	13	(20)	(16)	49
	301	**94**	**(74)**	**(33)**	**288**
less:					
- unrecognised deferred tax assets	(73)	(8)	19	11	(51)
	228	**86**	**(55)**	**(22)**	**237**
Net deferred tax assets (liabilities)	**21**	**(3)**	**(20)**	**(32)**	**(34)**

Unrecognised deferred tax assets of €51 million (€73 million at December 31, 2011) related to tax losses that it will probably not be possible to utilise against future income.

Tax losses

Tax losses amounted to €427 million (€339 million at December 31, 2011) 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 utilised averaged out at 26.9%. Tax losses related mainly to foreign companies and can be used in the following periods:

(€ million)	Italian subsidiaries	Foreign subsidiaries
2013	-	5
2014	-	5
2015	-	25
2016	-	5
2017	-	1
After 2017	-	48
Without limit	1	337
Total	**1**	**426**

23 Other non-current liabilities

Other non-current liabilities of €3 million (€2 million at December 31, 2011) were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Fair value of hedging derivatives	-	1
Trade and other payables	2	2
Total	**2**	**3**

The fair value of hedging derivatives related to foreign exchange risk hedges entered into by Saipem SpA with the Eni Group, which mature in 2014.

Shareholders' equity

24 Minority interest

Minority interest at December 31, 2012 amounted to €148 million (€114 million at December 31, 2011) and mainly related to ER SAI Caspian Contractor Llc (€141 million).

25 Saipem's shareholders' equity

Saipem's shareholders' equity at December 31, 2012, amounting to €5,405 million, can be analysed as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Share capital	441	441
Share premium reserve	55	55
Legal reserve	88	88
Cash flow hedge reserve	(60)	47
Cumulative currency translation differences	(12)	(43)
Other	7	7
Retained earnings	3,342	3,951
Net profit for the year	921	902
Treasury shares	(73)	(43)
Total	**4,709**	**5,405**

Saipem's shareholders' equity at December 31, 2012 included distributable reserves of €4,618 million (€3,817 million at December 31, 2011), 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 (€25 million).

26 Share capital

At December 31, 2012, 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, thereof 441,297,465 are ordinary shares and 113,435 are savings shares.
On April 27, 2012, Saipem's Shareholders' Meeting approved a dividend distribution of €0.70 per ordinary share and €0.73 per savings share, with the exclusion of treasury shares.

27 Share premium reserve

The share premium reserve amounted to €55 million at year end 2012 and was unchanged from December 31, 2011.

28 Other reserves

At December 31, 2012, 'Other reserves' amounted to positive €99 million (€23 million at December 31, 2011) and consisted of the following items.

Legal reserve

At December 31, 2012, 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 positive balance at year end of €47 million (negative €60 million at December 31, 2011) which related to the fair value of the spot component of foreign exchange risk hedges and commodity hedges at December 31, 2012.
The cash flow hedge reserve is shown net of tax of €17 million (€7 million at December 31, 2011).

Cumulative currency translation differences

This reserve amounted to negative €43 million (negative €12 million at December 31, 2011) and related to exchange rate differences arising from the translation into euro of financial statements denominated in functional currencies other than euro (mainly the US dollar).

Other

Other reserves amounted to €7 million and were unchanged from December 31, 2011. 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 1,996,482 treasury shares (3,143,472 at December 31, 2011), amounting to €43 million (€73 million at December 31, 2011). These are ordinary shares of Saipem SpA with a nominal value of €1 each.
Treasury shares are allocated under the 2002-2008 stock option schemes. Operations involving treasury shares during the year were as follows:

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital (%)
Treasury shares repurchased				
2003 (from May 2)	2,125,000	6.058	13	0.48
2004	1,395,000	7.044	10	0.32
2005	3,284,589	10.700	35	0.74
2006	1,919,355	18.950	36	0.43
2007	848,700	25.950	22	0.19
2008	2,245,300	25.836	58	0.51
Total	**11,817,944**	**14.745**	**174**	**2.67**
Less treasury shares allocated:				
- without consideration, as stock grants	1,616,400			
- against payment, as stock options	8,205,062			
Treasury shares held at December 31, 2012	**1,996,482**	**21.784**	**43**	**0.45**

At December 31, 2012, outstanding stock options amounted to 397,485 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, 2011		Dec. 31, 2012	
(€ million)	Net profit	Shareholder's equity	Net profit	Shareholder's equity
As reported in Saipem SpA's financial statements	**520**	**1,314**	**437**	**1,644**
Difference between the equity value and results of consolidated companies and the equity value and result of consolidated companies as accounted for in Saipem SpA's financial statements	340	2,976	596	3,458
Consolidation adjustments, net of effects of taxation:				
- difference between purchase cost and underlying book value of equity	(1)	826	(5)	818
- elimination of unrealised intercompany profits	(53)	(350)	(18)	(402)
- other adjustments	181	57	(54)	35
Total shareholders' equity	**987**	**4,823**	**956**	**5,553**
Minority interests	(66)	(114)	(54)	(148)
As reported in the consolidated financial statements	**921**	**4,709**	**902**	**5,405**

30 Additional information

Supplement to cash flow statement

(€ million)	Dec. 31, 2011	Dec. 31, 2012
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 investing activities	**93**	**-**
Analysis of disposals of consolidated entities and businesses		
Current assets	4	7
Non-current assets	7	-
Net liquidity (net borrowings)	1	8
Current and non-current liabilities	(9)	(16)
Net effect of disposals	**3**	**(1)**
Fair value of interest after control has ceased	-	-
Gain on disposals	5	1
Minority interest	-	-
Total sale price	8	-
less:		
Cash and cash equivalents	(1)	(8)
Cash flows from disposals	**7**	**(8)**

Investments and disposals in 2011 concerned the acquisition of Terminal Portuàrio do Guarujá SA and the sale to third parties of Starstroi Llc. Disposals in 2012 related to the sale to third parties of 100% of Star Gulf Free Zone Co, which resulted in the disposal of Star Gulf Free Zone Co's subsidiary BOS Shelf Ltd, and the sale of 50% of Sairus Llc.

31 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €7,326 million (€7,175 million at December 31, 2011).

	Dec. 31, 2011			Dec. 31, 2012		
(€ million)	Unsecured	Other guarantees	Total	Unsecured	Other guarantees	Total
Associates	84	-	84	84	-	84
Consolidated companies	497	3,249	3,746	476	3,314	3,790
Own	21	3,324	3,345	21	3,431	3,452
Total	**602**	**6,573**	**7,175**	**581**	**6,745**	**7,326**

Other guarantees issued for consolidated companies of €3,314 million (€3,249 million at December 31, 2011) related to independent guarantees given to third parties relating to bid bonds and performance bonds.
Guarantees issued to/through related parties amounted to €5,798 million (€5,532 million at December 31, 2011) and are detailed in Note 44 'Transactions with related parties'.

Commitments

Saipem SpA has provided commitments towards customers and/or other beneficiaries (financial and insurance institutions, export credit agencies) relating to the fulfilment of contractual obligations entered into by itself and/or by its subsidiaries or associated companies in the event of non-performance and payment of any damages arising from non-performance.

These commitments guarantee contracts whose overall value amounted to €30,747 million (€29,577 million at December 31, 2011), including work already performed and the backlog of orders at December 31, 2012.

Additional information on financial instruments

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

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

(€ million)	Carrying amount	Income (expense) recognised in the income statement	Income (expense) recognised in equity
Financial instruments held for trading			
Non-hedging derivatives [a]	10	74	-
Receivables and payables and other assets (liabilities) measured at amortised cost			
Trade and other receivables [b]	3,170	(16)	-
Financial receivables [a]	82	-	-
Trade and other payables [c]	4,982	8	-
Financial payables [a]	5,683	(124)	-
Net hedging derivative assets (liabilities) [d]	93	(64)	(131)

(a) The income statement effects relate only to the income (expense) indicated in Note 38 'Finance income (expense)'.
(b) The income statement effects were recognised in 'Purchases, services and other' (expenses of €2 million relating to impairments and losses on receivables) and in 'Finance income (expense)' (€14 million, relating to currency translation gains (losses) arising from adjustments to the year-end exchange rate).
(c) The income statement effects were recognised in 'Finance income (expense)' (€8 million) (currency translation gains (losses) arising from adjustments to the year-end exchange rate).
(d) The income statement effects were recognised in 'Net sales from operations' and 'Purchases, services and other' (€63 million) and in 'Finance income (expense)' (€1 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, 2012 are classified as follows:

	Dec. 31, 2012			
(€ million)	Level 1	Level 2	Level 3	Total
Held for trading financial assets (liabilities):				
- non-hedging derivatives	-	10	-	10
Net hedging derivative assets (liabilities)	-	93	-	93
Total	**-**	**103**	**-**	**103**

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.
In 2012 no interest rate swaps were entered into.

EXCHANGE RATE RISK MANAGEMENT

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

(€ million)	Notional amount at Dec. 31, 2011	Notional amount at Dec. 31, 2012
Forward foreign exchange contracts	3,218	3,563

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, 2011		Notional amount at Dec. 31, 2012	
(€ million)	Purchase	Sell	Purchase	Sell
AED	-	-	2	4
AUD	10	27	573	14
CHF	-	-	7	-
CNY	97	-	96	-
EUR	118	74	135	73
GBP	310	93	302	68
JPY	54	4	72	37
KWD	295	556	32	48
NOK	219	192	47	68
PLN	-	53	-	34
RUB	-	-	244	31
SGD	56	2	35	25
USD	3,239	6,615	3,480	8,186
Total	**4,398**	**7,616**	**5,025**	**8,588**

Analysis of hedged future cash flows by time period of occurrence and principal currencies:

(€ million)	First quarter 2013	Second quarter 2013	Third quarter 2013	Fourth quarter 2013	2014	Total
Revenues	1,012	1,090	914	552	2,798	**6,366**
Costs	659	400	294	238	898	**2,489**

COMMODITY PRICE RISK

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

	Notional amount at Dec. 31, 2011		Notional amount at Dec. 31, 2012	
(€ million)	Purchase	Sell	Purchase	Sell
Forward commodity contracts	38	2	10	-

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 foregoing will not have significant adverse effects on its consolidated financial statements.
A brief summary of the most important ongoing proceedings is now provided.

CEPAV (Consorzio Eni per l'Alta Velocità) Uno

Saipem has a 50.36% interest in the CEPAV Uno Consortium, which in 1991 entered into an agreement with TAV SpA (**TAV**, now Rete Ferroviaria Italiana SpA - **RFI** SpA) for the construction of the Milan-Bologna high-velocity/high-capacity railway line.
In connection with this project, on June 27, 2003, an addendum was made to the contract between the CEPAV Uno Consortium and the client RFI, which 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 revised to €1,770 million. The Consortium and RFI sought to reach an amicable settlement, but negotiations were called off on March 14, 2006, when the proposals put forward by RFI were deemed unsatisfactory by the Consortium. On April 27, 2006, RFI was informed of the application for arbitration, as provided for under the contract terms and conditions. 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 and was subsequently extended to December 31, 2013. 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 RFI to carry out checks on accounting records including records related to subcontracts awarded by the Consortium and by contractors. Assuming that this interim award was vitiated, on April 8, 2010, the Consortium challenged it before the Rome Court of Appeal in order to have it annulled. 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.
Meanwhile, on August 7, 2012 the Court of Arbitration for public contracts issued a partial award of €54,253,000 (€40,136,000 for reservations and €14,117,000 for simple interest at July 31, 2012), as well as the right to a monetary adjustment, quantification of which was postponed until the final award, which should be made at the end of December 2013, plus interest (simple and compound) from August 2, 2012 until complete fulfilment of obligations. On December 11, 2012, the President of the Court of Rome declared the partial award of August 7, 2012 to be enforceable. The Consortium thus issued RFI with an order for the payment of €54,254,012.17, which was duly paid by RFI to the Consortium on February 7, 2013.
On November 27, 2012, the Consortium made three further applications for arbitration against RFI, respectively: (i) for €1,813,250,392.18 plus interest and inflation adjustments for damages arising from delays and the loss of the early completion premium and reservations, with Giuseppe Giuffrè appointed arbitrator; (ii) for €254,342,862.53, plus interest and inflation adjustments, for reservations related to variations to the scope of work, with Gianluca Brancadoro appointed arbitrator; and (iii) for €40,730,012, plus interest and inflation adjustments, for reservations related to non-payment for partial inspections and pre-service testing, with Enrico Castellani appointed arbitrator. RFI did not appoint an arbitrator and on December 18, 2012, lodged an appeal pursuant to Article 700 of the code of civil procedure before the Court of Rome, which fixed the hearing for January 14, 2013. In its appeal, RFI requested that the Court prohibit the Consortium from asking the President of the Council of State to nominate RFI's arbitrator (as required under the contract signed between the parties). RFI stated that the requests for arbitration had been filed on November 29, 2012, hence after the entering into force of Law No. 190/2012 on November 28, 2012. This law stipulates that an arbitration appeal is null and void when authorisation has not been issued beforehand by the governing body of a public company.
With a memorandum of appearance dated January 14, 2013, the Consortium appeared before the Court of Rome, pleading that proceedings had commenced before the aforementioned law had entered into force. It thus requested that RFI's appeal be declared inadmissible and that it also be rejected on the grounds that it was unfounded both de facto and de jure and devoid of any presumption of irreparable harm. At the hearing of January 14, 2013, the judge withheld sentence, allowing RFI until January 25 to present its brief and the Consortium until February 5 to present its comments. On February 20, the Court of Rome rejected the appeal of RFI and ordered it to pay the legal costs of the Consortium.
Furthermore, on December 10, 2012, RFI filed an objection to the Court of Rome regarding an arbitrator appointed by the Consortium, Giuseppe Giuffrè, claiming that there were serious grounds for doubting his ability to remain impartial. On February 12, the President of the Court of Rome rejected RFI's appeal and ordered the parties to share the legal costs.

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

Snamprogetti Netherlands BV has a 25% holding in the TSKJ Consortium of companies. The remaining interests are held in equal shares of 25% by Halliburton/KBR, Technip and JGC. Beginning in 1994, the TSKJ Consortium was involved in the construction of 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 to Saipem SpA. Snamprogetti was merged into Saipem as of October 1, 2008. As part of the sale of Snamprogetti to Saipem, Eni agreed to indemnify Saipem for potential losses resulting from the investigations into the TSKJ matter, including in connection with its subsidiaries.
The U.S. Securities and Exchange Commission (SEC), the U.S. Department of Justice (DoJ) and other authorities, including the Public Prosecutor's office of Milan, carried out investigations into alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials.

The proceedings in the US: following the settlements agreed in 2010 with the U.S. Securities and Exchange Commission and the U.S. Department of Justice, the proceedings were closed definitively on September 17, 2012 with the decision of the United States District Court to grant a motion of the DoJ to dismiss the criminal proceedings against Snamprogetti Netherlands BV. Unlike the other members of the TSKJ Consortium who reached a resolution with the DoJ, Snamprogetti Netherlands BV had not been required to retain an independent compliance monitor.

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 received requests to produce documents from the Milan Public Prosecutor's office. The investigation regards events dating back to 1994 and also concerns the period subsequent to the introduction of Legislative Decree No. 231 of June 8, 2001 regarding the administrative responsibility of companies. 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 the 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 Organisational, Management and Control Model adopted to prevent the commission of the alleged offences by persons subject to direction and supervision. At the time of the events under investigation, the Company had in place a code of practice and internal procedures based on current best practices. Subsequently, the code and internal procedures were improved with a view to achieving the continuous improvement of internal compliance. 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 behaviour that conflicts with the principles and contents of the Code. Moreover, 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, Saipem 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 optimised the compliance system to ensure maximum observance by Saipem and its personnel with 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 the Preliminary Investigation, but 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. On September 30, 2010, the appeal was upheld by the Court of Cassation. The Supreme Court decided that the request for precautionary measures was also admissible pursuant to Law No. 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'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) 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, 2012, the Public Prosecutor, while recognising that the statute of limitations had already expired as regards the physical persons under investigation, raised an objection regarding 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 held on March 8, 2012, the defendants replied to the objection raised by the Public Prosecutor regarding the unconstitutionality of the 'short statute of limitations' for crimes of international corruption. At the hearing to decide on the admissibility of the objection, which was adjourned to April 5, 2012, the Court declared the objection of unconstitutionality raised by the Public Prosecutor during the hearing of February 2, 2012 as unfounded, insofar as it was not pertinent to the proceedings in course.

In view of the Court's decision, the defence asked for the statute of limitations to be applied in relation to the positions of the physical persons under investigation. The Public Prosecutor did not object to this request and the Court dismissed the charges against them, ruling that they had expired under the statute of limitations.

The Court scheduled a hearing on June 12, 2012 for the continuation of proceedings against the legal person of Saipem SpA only.
During the subsequent hearing of July 12, the technical experts called by the defence were examined and cross-examined and filed their reports. The pre-trial and the trial hearing were then declared closed and the Court adjourned proceedings to November 6, 2012 for the hearing of the closing arguments, during which, on request of the Public Prosecutor and with the consent of the Court, the hearing was adjourned until February 5, 2013.
At the hearing of February 5, Saipem SpA's counsel raised a number of objections regarding the unconstitutional nature of applying Legislative Decree No. 231/2001 to the specific case under examination. At the hearing of March 26, the Court ruled that the question of unconstitutionality raised was manifestly unfounded. In his round-up, the Public Prosecutor demanded that Saipem pay a penalty of €900,000 and that the aforementioned deposit of €24,530,580 be confiscated. The hearing was adjourned until May 21, 2013 for the conclusions of the defence counsel.
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 costs from the investigations into the TSKJ matter referred to above.

Algeria
On February 4, 2011, the Milan Public Prosecutor's office, through Eni, requested the transmission of documentation pursuant to Article 248 of the Code of Criminal Procedure 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.
On November 22, 2012, Saipem SpA received a notification of inquiry from the Public Prosecutor of the Court of Milan related to unlawful administrative arising from the crime of international corruption acts pursuant to Article 25, paragraphs 2 and 3 of Legislative Decree No. 231/2001, along with a request to forward documentation pursuant to Article 248 of the Code of Criminal Procedure.
This request was followed by notification of a seizure order on November 30, 2012, two further requests for documentation on December 18, 2012 and February 25, 2013, and the issuing of two search warrants on January 16 and February 7, 2013. Specifically, the Prosecutor's Office is investigating alleged corruption which, it claims, took place through March 2010 in relation to several contracts that the Company was awarded in Algeria. People subject to investigation include a current employee and several former employees of the Company, in particular the former Deputy Chairman and CEO and the former Chief Operating Officer of the Engineering & Construction Business Unit. The Company is collaborating fully with the Prosecutor's Office and rapidly implemented decisive managerial and administrative restructuring measures, irrespective of any liability that might result from the investigations.
In agreement with the Board of Statutory Auditors and the Internal Control Bodies, and having duly informed the Prosecutor's Office, Saipem is looking into the contracts that are subject to investigation, and to this end has appointed an external legal firm. Currently, Saipem does not expect to be responsible for offenses contemplated by the Legislative Decree No. 231/2001. An internal investigation is also being conducted with the assistance of external consultants in order to verify the correct application of company procedures targeted at preventing bribery, corruption and other unlawful acts. Investigations are currently underway. It should also be noted that investigations begun in 2010 into the activities of third parties are still underway in Algeria in relation to which a number of Saipem Contracting Algérie SpA's current accounts in local currency were frozen. Some of these were subsequently unfrozen, though two in Algerian Dinar, for a total of €79 million at January 25, 2013, remain blocked. In September 2012, Saipem Contracting Algérie SpA received formal notice that an investigation was underway into the company, upon the matter's referral to the Chambre d'accusation at the Court of Algiers. Saipem Contracting Algérie SpA is alleged to have taken advantage of the authority or influence of representatives of a government owned industrial and trading company in order to inflate prices in relation to contracts awarded by said company.
On January 30, 2013, the 'Chambre d'accusation' ordered Saipem Contracting Algérie SpA to stand trial and further ordered that the aforementioned current accounts remain frozen. Saipem Contracting Algérie SpA has lodged an appeal at the Supreme Court. Finally, it should be noted that on March 24, 2013 a search was carried out on the premises of Saipem Contracting Algérie SpA.

Kuwait
On June 21, 2011, a warrant requested by the Milan Public Prosecutor was served on Saipem for the search of the office of a Saipem employee. The warrant was issued in connection with alleged crimes committed by said employee together with third parties related to the award of tenders by Saipem SpA to third companies for a project in Kuwait.
In connection with the same matter, the Public Prosecutor also served a notice of indictment upon Saipem SpA pursuant to Italian Legislative Decree No. 231/2001. In this regard, the company believes that its position will be successfully cleared, since it is the injured party in respect of the illicit conduct under investigation.
Having consulted its lawyers, and in agreement with the 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 in force, Saipem suspended the employee under investigation while awaiting further developments.
The audit showed that the Saipem SpA employee in question was not involved in anything worthy of note. The suspension was therefore lifted and the employee 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 No. 231/2001. Preliminary investigations ended in August 2007, with a favourable outcome for Snamprogetti SpA, which was not included among the parties still under investigation for whom committals for trial were requested.

Snamprogetti subsequently brought proceedings against the physical and legal persons implicated in transactions relating to the Company and reached settlements with a number of parties that requested the application of settlement procedures. Following the conclusion of the preliminary hearing, criminal proceedings continued against former employees of the above companies as well as against employees and managers of a number of their suppliers, pursuant to Legislative Decree No. 231/2001. Eni SpA, EniPower SpA and Snamprogetti SpA presented themselves as plaintiffs in the preliminary hearing. In the preliminary hearing related to the main proceeding of April 27, 2009, the Judge for the Preliminary Hearing requested that all parties that did not request the application of plea agreements stand trial, with the exception of several parties for whom the statute of limitations now applied.

At the hearing of March 2, 2010, the Court confirmed the admission as plaintiffs of Eni SpA, EniPower SpA and Saipem SpA against the defendants under the provisions of Legislative Decree No. 231/2001. The defendants of the other companies involved were also sued. The examination of the witnesses was completed and the parties presented their conclusions. Subsequently, at the hearing of September 20, 2011 sentence was passed which included several convictions and acquittals for numerous physical and legal defendants, the latter being deemed responsible for unlawful administrative acts, with fines being imposed and value confiscation for significant sums 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.

The convicted parties quickly filed an appeal against the above sentence.

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 in Paris between the client Société du Terminal Méthanier de Fos Cavaou ('STMFC', now Fosmax LNG) and the contractor STS (a French 'société en participation' made up of Saipem sa (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)).

On July 11, 2011, the parties signed a mediation memorandum pursuant to the rules of Conciliation and Arbitration of the Paris ICC. The mediation procedure ended on December 31, 2011 without agreement having been reached, because Fosmax LNG 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 Fosmax LNG. The brief filed by Fosmax LNG in support of its request for arbitration included a demand for payment of approximately €264 million for damages, 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 Fosmax LNG maintains, exceeded the contractual limitation of liability.

STS has filed its defence brief, including a counter claim for damages due to the excessive interference of Fosmax LNG in works execution and as payment for extra works not recognised by the client (reserving the right to quantify the amount of such extra works at a later stage in proceedings). The Arbitration Panel has sent the parties the Terms of Reference for the arbitration, setting a deadline of June 29, 2012 for comments. On October 19, 2012, Fosmax LNG lodged a 'Mémoire en demande'. Against this, STS lodged its own 'Mémoire en défense' on January 28, 2013, in which it a filed a counterclaim for €338 million. According to the Arbitration Panel's schedule, which is subject to change, arbitration proceedings should be completed towards the end of 2013 and the arbitration award should be issued during 2014.

Consob investigations

Following the issue by Saipem SpA of its press release of January 29, 2013, in which it revised its 2012 earnings guidance and its outlook for 2013, Saipem received a communication from Consob dated January 31, 2013 asking it to reconstruct the process of evaluation and the considerations that led to the decision to issue the press release in question, to describe the information and data used to arrive at the revision of its guidance for 2012 profits and 2013 revenues and profits and of its forecasts for 2014, and to provide a list of persons included in the register maintained pursuant to Article 115-*bis* of the Consolidated Finance Act who had access to the data and information referred to in the press release.

Subsequently, in a letter dated February 1, 2013, Consob announced the commencement of an inspection of Saipem pursuant to Article 187-*octies*, paragraph 3 of Legislative Decree No. 58 of February 24, 1998 with the purpose of gathering documents and information regarding the preparation of the press release, the management of privileged information, and compliance with legislation concerning transactions by relevant parties.

Subsequently, Consob requested additional information from Saipem in communications of February 8 and 25 and March 22, 2013, including information concerning the variations between the last business plan approved prior to January 29, 2013 and the new 2013-2016 business plan.

Saipem promptly responded to the above communications supplying the documentation and information requested.

Revenues

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

32 Net sales from operations

Net sales from operations were as follows:

(€ million)	2011	2012
Net sales from operations	12,108	12,379
Change in contract work in progress	485	990
Total	**12,593**	**13,369**

Net sales by geographical area were as follows:

(€ million)	2011	2012
Italy	543	580
Rest of Europe	1,395	1,201
CIS	1,709	1,352
Middle East	2,047	3,211
Far East	667	1,241
North Africa	2,531	1,494
West Africa and Rest of Africa	2,692	2,482
Americas	1,009	1,808
Total	**12,593**	**13,369**

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 €2,172 million (€2,613 million at December 31, 2011) and are shown in Note 44 'Transactions with related parties'.

33 Other income and revenues

Other income and revenues were as follows:

(€ million)	2011	2012
Gains on disposal of assets	1	2
Indemnities	5	4
Other	32	11
Total	**38**	**17**

Operating expenses

The following is a summary of the main components of operating expenses. The most significant are analysed 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)	2011	2012
Production costs - raw, ancillary and consumable materials and goods	2,425	2,959
Production costs - services	5,383	5,209
Operating leases and other	921	913
Net provisions for contingencies	40	(20)
Other expenses	69	93
less:		
- capitalised direct costs associated with self-constructed assets	(25)	(5)
- changes in inventories of raw, ancillary and consumable materials and goods	(64)	(11)
Total	**8,749**	**9,138**

Costs of services include agency fees of €6 million (€12 million at December 31, 2011).
Costs incurred in connection with research and development activities recognised in profit and loss as they do not meet the requirements to be capitalised amounted to €15 million (€12 million at December 31, 2011).
'Operating leases and other' included operating lease payments of €910 million (€903 million in 2011).
Future minimum lease payments expected to be paid under non-cancellable operating leases amounted to €330 million (€334 million in 2011), of which €84 million was due within one year, €188 million between 2-5 years and €58 million due after 5 years.
Net provisions for contingencies are detailed in Note 20 'Provisions for contingencies'.
Other expenses of €93 million included indirect taxes of €75 million, mainly related to foreign direct and indirect subsidiaries of Saipem SpA.
Purchases, services and other costs to related parties amounted to €181 million (€209 million at December 31, 2011) and are shown in Note 44 'Transactions with related parties'.

35 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	2011	2012
Wages and salaries	1,429	1,726
Social security contributions	230	244
Contributions to defined benefit plans	35	44
Employee termination indemnities	2	2
Accrual to provision for employee termination indemnities recognised as a contra-entry to pension plans or Inps fund	23	24
Other costs	44	16
less:		
- capitalised direct costs associated with self-constructed assets	(13)	(15)
Total	**1,750**	**2,041**

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 programmes 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 2012.

STOCK OPTIONS

The following table shows changes in the stock option plans:

(€ thousand)	2011 Number of shares	2011 Average strike price	2011 Market price [a]	2012 Number of shares	2012 Average strike price	2012 Market price [a]
Options as of January 1	**2,338,550**	**23.564**	**88,062**	**1,637,750**	**24.885**	**53,800**
New options granted	-	-	-	-	-	-
(Options exercised during the year)	(566,900)	19.607	19,026	(1,146,990)	25.109	40,086
(Options expiring during the year)	(133,900)	-	4,919	(93,275)	-	3,260
Options outstanding as of December 31	**1,637,750**	**24.885**	**53,800**	**397,485**	**23.980**	**11,646**
Of which exercisable at December 31	**1,462,200**	**24.767**	**48,033**	**397,485**	**23.980**	**11,646**

(a) The market price relating to new options granted, options exercised in the period and options expiring during the year corresponds to the average market value. The market price of shares underlying options outstanding at the beginning and end of the year is the price recorded at January 1 and December 31.

The following table shows stock options outstanding as of December 31, 2012 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			(900,500)
2006			(1,378,215)
2007			(877,700)
2008			(850,550)
			(8,205,062)
Options expired			
2002			(258,447)
2003			(78,000)
2004			(20,500)
2005			(33,000)
2006			(568,525)
2007			(365,550)
2008			(245,475)
			(1,569,497)
Options outstanding			
2002			-
2003			-
2004			-
2005			47,000
2006			18,260
2007			89,250
2008			242,975
			397,485

(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, 2012, 397,485 options had been assigned for the purchase of the same amount of ordinary shares of Saipem SpA with a nominal value of €1. The options related to the following plans:

	Number of shares	Strike price (€)	Average remaining life (months)	Fair value (€) for assignees resident in Italy	Fair value (€) for assignees resident in France
2005 plan	47,000	11.881	7	3.1029	2.9795
2006 plan	18,260	17.519	7	5.7208	6.1427
2007 plan	89,250	26.521	9	8.8966	9.5320
2008 plan	242,975	25.872	4	8.2186	8.7734
Total	**397,485**				

The fair value valuation of options granted in 2005 considers the stock options as European until September 30, 2006, August 23, 2007 and July 27, 2008, respectively, for assignees resident in Italy and until September 30, 2007, August 23, 2008 and July 27, 2009 for those resident in France; subsequently they are considered American. The fair value was therefore calculated using a combination of the Black-Scholes and Merton method for European options and the Roll, Geske and Whaley method for American options. The fair value of 2006 and 2007 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

No costs were recorded in relation to stock option plans in 2012 (€1 million in 2011).

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 €13 million and was as follows:

(€ million)	2011	2012
Wages and salaries	12	11
Employee termination indemnities	2	-
Other long-term benefits	2	2
Stock options	1	-
Total	**17**	**13**

Compensation of Statutory Auditors

Compensation of Statutory Auditors amounted to €140 thousand (€202 thousand in 2011).
Compensation includes emoluments and any other financial rewards or pension/medical benefits due for the function of Statutory Auditor of Saipem SpA or of companies within the scope of consolidation that represented a cost to Saipem, even 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, 2011	Dec. 31, 2012
Senior managers	432	430
Junior managers	4,550	4,597
White collars	18,354	20,136
Blue collars	16,747	17,070
Seamen	305	321
Total	**40,388**	**42,554**

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

36 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment are detailed below:

(€ million)	2011	2012
Depreciation and amortisation:		
- tangible assets	597	691
- intangible assets	11	10
	608	**701**
Impairment:		
- tangible assets	34	25
- intangible assets	-	-
Total	**642**	**726**

37 Other operating income and expense

At December 31, 2012, there was no other operating income or expense (€3 million at December 31, 2011).

38 Finance income (expense)

Finance income and expense was as follows:

(€ million)	2011	2012
Finance income (expense)		
Finance income	524	346
Finance expense	(586)	(568)
	(62)	**(222)**
Derivatives	(71)	74
Total	**(133)**	**(148)**

Net finance income and expense was as follows:

(€ million)	2011	2012
Exchange gains (losses)	**36**	**(98)**
Exchange gains	506	330
Exchange losses	(470)	(428)
Finance income (expense) related to net borrowings	**(98)**	**(124)**
Interest and other income from Group financial companies	4	2
Interest from banks and other financial institutions	14	14
Interest and other expense due to Group financial companies	(93)	(109)
Interest and other expense due to banks and other financial institutions	(23)	(31)
Total finance income (expense)	**(62)**	**(222)**

Gains (losses) on derivatives consisted of the following:

(€ million)	2011	2012
Exchange rate derivatives	(68)	74
Interest rate derivatives	(3)	-
Total	**(71)**	**74**

Net income from derivatives of €74 million (expenses of €71 million in 2011) mainly relates to the recognition in income of the change in fair value of derivatives that did not qualify for hedge accounting under the IFRS and the measurement 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)	2011	2012
Share of profit of investments accounted for using the equity method	16	9
Share of loss of investments accounted for using the equity method	(1)	-
Net additions to (deductions from) the provisions for losses related to investments accounted for using the equity method	1	8
Total	**16**	**17**

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

During the year a net loss of €1 million was registered due to the cancellation of Nagarjuna Fertilizers & Chemicals Ltd from the Register of Companies and the sale of Star Gulf Free Zone Co.

40 Income taxes

Income taxes consisted of the following:

(€ million)	2011	2012
Current taxes:		
- Italian subsidiaries	162	81
- foreign subsidiaries	209	289
Net deferred taxes:		
- Italian subsidiaries	34	31
- foreign subsidiaries	(13)	(8)
Total	**392**	**393**

Current taxes amounted to €370 million and related to Ires (€8 million), Irap (€24 million) and other taxes (€338 million).

The effective tax rate was 29.2% (28.4% in 2011) compared with a statutory tax rate of 30.3% (30.6% in 2011), 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:

(%)	2011	2012
Statutory tax rate	**30.6**	**30.3**
Items increasing (decreasing) statutory tax rate:		
- lower foreign subsidiaries tax rate	(7.0)	(5.1)
- permanent differences and other factors	4.2	4.7
- additions to (deductions from) tax provision	0.6	(0.7)
Total changes	**(2.2)**	**(1.1)**
Effective tax rate	**28.4**	**29.2**

(€ million)	2011	2012
Income taxes recognised in consolidated income statement	392	393
Income taxes recognised in statement of comprehensive income	6	(24)
Tax on total comprehensive income	**398**	**369**

41 Minority interest

Minority interest amounted to €54 million (€66 million in 2011).

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 439,321,441 and 438,180,772 in 2012 and 2011, 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, 2012, 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 2011 and 2012 was 439,953,970 and 439,832,361, respectively. Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share is as follows:

		Dec. 31, 2011	Dec. 31, 2012
Average number of shares used for the calculation of the basic earnings per share		**438,180,772**	**439,321,441**
Number of potential shares following stock option plans		1,637,750	397,485
Number of savings shares convertible into ordinary shares		135,448	113,435
Average number of shares used for the calculation of the diluted earnings per share		**439,953,970**	**439,832,361**
Saipem's net profit	(€ million)	921	902
Basic earnings per share	(€ per share)	2.10	2.05
Diluted earnings per share	(€ per share)	2.09	2.05

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, 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, amortisation 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
December 31, 2012						
Net sales from operations	7,102	6,936	1,417	871	-	16,326
less: intra-group sales	1,746	761	329	121	-	2,957
Net sales to customers	**5,356**	**6,175**	**1,088**	**750**	**-**	**13,369**
Operating profit	690	395	293	103	-	1,481
Depreciation, amortisation and impairment	273	33	285	135	-	726
Net income from investments	17	(1)	-	-	-	16
Capital expenditure	525	84	284	122	-	1,015
Property, plant and equipment	4,064	513	3,535	898	-	9,010
Investments	42	74	-	-	-	116
Current assets	2,148	2,688	589	519	1,862	7,806
Current liabilities	2,182	2,505	259	129	2,519	7,594
Provisions for contingencies	58	55	1	2	47	163

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
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
2012									
Capital expenditure	21	10	13	107	3	8	136	717	1,015
Tangible and intangible assets	358	25	385	589	43	407	807	6,396	9,010
Identifiable assets (current)	309	1,144	564	1,943	978	1,086	975	807	7,806

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)	2011	2012
Construction contracts - assets	882	1,855
Construction contracts - liabilities	(1,197)	(861)
Construction contracts - net	**(315)**	**994**
Costs and margins (completion percentage)	11,373	13,037
Progress billings	(11,664)	(12,036)
Change in provision for future losses	(24)	(7)
Construction contracts - net	**(315)**	**994**

44 Transactions with related parties

Saipem SpA is a subsidiary of Eni SpA. Transactions with related parties entered into by Saipem SpA and/or companies within the scope of consolidation concern mainly the supply of services, the exchange of goods, the provision and utilisation of financial resources, including entering into derivative contracts with other Eni SpA subsidiaries or associated companies and with a number of entities owned or controlled by the State. These transactions are an integral part of the ordinary course of its business and are carried out on an arm's length basis, i.e. at conditions which would be applied between willing and independent parties. All transactions were carried out for the mutual benefit of the Saipem companies involved.
Pursuant to disclosure requirements covered under Consob Regulation No. 17221 of March 12, 2010, the following transactions with related parties were carried out in 2012:
- on July 13, 2012, Saipem Drilling Norway AS, an indirect subsidiary of Saipem SpA, signed a medium- to long-term loan contract with Eni Finance International SA, a subsidiary of Eni SpA. The eight-year loan of €700 million, which carries an interest rate of 230 basis points over 3 month Euro Libor, will fund Saipem Drilling Norway AS operations;
- on October 10, 2012, Saipem Offshore Norway AS, a direct subsidiary of Saipem SpA, signed a loan agreement for the increase to a medium- to long-term credit line with Eni Finance International SA, a subsidiary of Eni SpA, totalling €700 million and lasting 2 years, which carries an interest rate of 75 basis points over Euro Libor at the date of drawdown. The loan will fund Saipem Offshore Norway AS operations.

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, 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**	**-**	**-**
Associates and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta velocità) Due	24	91	84	-	84	38	-
Kwanda Suporte 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 associates 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)

	Dec. 31, 2011			2011			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services	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 controlled or owned 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**

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

(€ million)

	Dec. 31, 2012			2012			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
Unconsolidated subsidiaries							
Sagio - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	1	-	-	1	-	-
Total unconsolidated subsidiaries	**-**	**1**	**-**	**-**	**1**	**-**	**-**
Associates and jointly controlled companies							
CEPAV (Consorzio Eni per l'Alta Velocità) Due	51	51	84	-	50	85	-
Kwanda Suporte Logistico Lda	54	1	-	-	2	7	-
Rosetti Marino SpA Group	-	1	-	1	-	-	-
Milano-Brescia-Verona Scarl	-	-	-	-	3	1	-
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	5	-	-	-	-	10	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	9	7	-	-	16	3	-
Total associates and jointly controlled companies	**119**	**60**	**84**	**1**	**71**	**106**	**-**
Eni consolidated subsidiaries							
Eni SpA	2	11	5,714	1	17	1	-
Eni SpA Exploration & Production Division	129	2	-	2	-	93	-
Eni SpA Gas & Power Division	1	-	-	-	2	-	-
Eni SpA Refining & Marketing Division	48	-	-	6	1	56	-
Agip Energy & Natural Resources (Nigeria) Ltd	2	-	-	-	-	-	-
Agip Karachaganak BV	1	-	-	-	-	2	-
Burren Energy (Services) Ltd	3	-	-	-	-	11	-
Eni Adfin SpA	-	-	-	-	4	-	-
Eni Algeria Production BV	1	-	-	-	-	2	-
Eni Angola SpA	38	-	-	-	-	140	-
Eni Canada Holding Ltd	70	7	-	-	-	88	-
Eni Congo SA	35	-	-	-	(3)	101	-
Eni Corporate University SpA	1	4	-	-	6	1	-
Eni East Africa SpA	36	-	-	-	-	136	-
Eni Finance USA Inc	54	-	-	-	-	-	-
Eni Ghana Exploration & Production Ltd	2	-	-	-	-	2	-
Eni Insurance Ltd	8	11	-	-	16	14	-
Eni Iraq BV	2	-	-	-	-	8	-
Eni Mediterranea Idrocarburi SpA	-	-	-	-	-	1	-
Eni Norge AS	54	-	-	-	-	145	-

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

(€ million)

	Dec. 31, 2012			2012			
				Costs		Revenues	
Name	Receivables	Payables	Guarantees	Goods	Services	Goods and services	Other
EniPower SpA	3	-	-	-	-	5	-
EniServizi SpA	1	18	-	-	46	1	-
Eni Togo BV	6	-	-	-	-	7	-
Eni Trading & Shipping SpA	-	-	-	-	3	-	-
Eni Venezuela BV	-	-	-	-	-	2	-
Hindustan Oil Exploration Co Ltd	3	-	-	-	-	16	-
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	2	-
Polimeri Europa France SAS	1	-	-	-	-	3	-
Raffineria di Gela SpA	3	-	-	-	-	3	-
Serfactoring SpA	3	44	-	-	2	-	-
Servizi Aerei SpA	-	-	-	-	1	-	-
Snam Rete Gas SpA	-	-	-	-	-	38	-
Stoccaggi Gas Italia SpA	-	-	-	-	-	11	-
Syndial SpA	16	-	-	-	-	25	-
Tecnomare SpA	-	-	-	-	-	4	-
Versalis SpA (ex Polimeri Europa SpA)	12	-	-	-	-	12	-
Other (for transactions not exceeding €500 thousand)	3	2	-	1	-	1	-
Total Eni consolidated subsidiaries	**542**	**99**	**5,714**	**10**	**95**	**931**	**-**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	199	16	-	-	-	1,027	-
Total Eni subsidiaries	**741**	**115**	**5,714**	**10**	**95**	**1,958**	**-**
Eni associates and jointly controlled companies	25	-	-	-	-	87	-
Total Eni companies	**766**	**115**	**5,714**	**10**	**95**	**2,045**	**-**
Entities controlled or owned by the State	**63**	**1**	**-**	**2**	**1**	**21**	**-**
Total transactions with related parties	**948**	**177**	**5,798**	**13**	**168**	**2,172**	**-**
Overall total	**3,252**	**4,982**	**7,326**	**2,959**	**6,122**	**13,369**	**17**
Incidence (%)	**29.15**	**3.55**	**79.14**	**0.44**	**2.74**	**16.25**	**-**

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 costs ', 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 and jointly controlled entities, which amounted to €87 million, principally included €77 million from Petrobel Belayim Petroleum Co. Receivables of €25 million are due mainly from Petrobel Belayim Petroleum Co (€15 million), Super Octanos CA (€4 million) and Mellitah Oil & Gas BV (€4 million).

Existing relations with entities controlled or owned by the State are mainly in relation to the Snam Group.

Other transactions consisted of the following:

	Dec. 31, 2011		Dec. 31, 2012	
(€ million)	Other receivables	Other payables	Other receivables	Other payables
Eni SpA	231	477	203	86
Banque Eni SA	9	10	4	3
Eni Trading & Shipping SpA	-	7	-	-
Total transactions with related parties	**240**	**494**	**207**	**89**
Overall total	**644**	**508**	**562**	**96**
Incidence (%)	**37.27**	**97.24**	**36.83**	**92.71**

Financial transactions

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	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); 'Long-term debt' (€2,376 million); and 'Current portion of long-term debt' (€765 million).

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

(€ million)

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

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

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

	Dec. 31, 2011			Dec. 31, 2012		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Short-term debt	956	826	86,40	1,740	1,523	87.53
Long-term debt (including current portion)	3,342	3,141	93,99	3,943	3,742	94.90

	2011			2012		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Finance income	524	4	0.76	346	2	0.58
Finance expense	(586)	(93)	15.87	(568)	(109)	19.19
Derivatives	(71)	(62)	87.32	74	72	97.30
Other operating income (expense)	3	3	100.00	-	-	-

The main cash flows with related parties were as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Revenues and other income	2,616	2,172
Costs and other expenses	(209)	(181)
Finance income (expenses) and derivatives	(148)	(35)
Change in trade receivables and payables	95	(137)
Net cash provided by operating activities	**2,354**	**1,819**
Change in financial payables	279	1,298
Net cash used in financing activities	**279**	**1,298**
Total cash flows with related parties	**2,633**	**3,117**

Financial transactions also include transactions with Eni Trading & Shipping SpA which are included in the income statement under the item 'Other operating income (expense)'.
The incidence of cash flows with related parties was as follows:

	Dec. 31, 2011			Dec. 31, 2012		
(€ million)	Total	Related parties	Incidence (%)	Total	Related parties	Incidence (%)
Cash provided by operating activities	1,549	2,354	151.97	224	1,819	812.05
Cash used in investing activities	(1,184)	-	-	(1,012)	-	-
Cash flow from financing activities (*)	20	279	1,395.00	1,419	1,298	91.47

(*) Cash flow from 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 consolidation method are as follows:

(€ million)	Dec. 31, 2011	Dec. 31, 2012
Capital employed, net	(100)	(87)
Total assets	489	441
Total current assets	391	360
Total non-current assets	98	81
Total liabilities	438	386
Total current liabilities	415	365
Total non-current liabilities	23	21
Total revenues	919	710
Total operating expenses	(835)	(660)
Operating profit	84	50
Net profit (loss) for the year	79	35

45 Significant non-recurring events and operations

No significant non-recurring events or operations took place in 2012.

46 Transactions deriving from atypical or unusual transactions

In 2011 and 2012, no transactions deriving from atypical and/or unusual transactions were reported.

47 Events subsequent to year-end

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

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

1. The undersigned Umberto Vergine and Stefano Goberti 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 2012 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 2012 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 Organisations of the Treadway Commission, which represents an internationally-accepted framework for the internal control system.

3. The undersigned officers also certify that:

3.1 these 2012 consolidated financial statements:

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

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

c) fairly represent the financial, results of operations and cash flows of the parent company and the Group 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, 2013

Umberto Vergine	Stefano Goberti
CEO	Chief Financial Officer

Independent Auditors' Report

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
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20123 Milano

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Fax (+39) 02 72212037
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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Saipem S.p.A.

1. We have audited the consolidated financial statements of Saipem S.p.A. and its subsidiaries, (the "Saipem Group") as of and for the year then ended December 31, 2012, 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. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such consolidated financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   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 28, 2012.
3. In our opinion, the consolidated financial statements of the Saipem Group at December 31, 2012 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 Saiepm 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 presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Corporate Governance 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 presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Corporate Governance Report and Shareholding Structure Report on Corporate Governance and the Company's Ownership Structure, are consistent with the consolidated financial statements of the Saipem Group at December 31, 2012.

Milan, April 3, 2013

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

Addendum to the Annual Report as of December 31, 2012

Addendum to the Annual Report as of December 31, 2012

At Consob's request pursuant to Article 114, paragraph 5 of D.Lgs. No. 58/1998, received by the Company on April 19, 2013, the following further information and data are provided.

Contracts with negative margins

With reference to page 98 of the 2012 Annual Report (English version) and, in particular, to the 2013-2016 Strategic Plan mentioned therein, consider the following.
The significant accounting policies for contracts set forth on page 76 *et seq.* of the 2012 Annual Report (English version) are in accordance with IAS 11. In particular, as provided for by the abovementioned accounting principle, the costs related to the contracts include the following: (i) costs directly related to the specific project; (ii) costs that are attributed to general contract activity and could be allocated to a particular contract itself; and (iii) any other cost that could be specifically charged to the customer on the basis of contractual provisions.
The 2013-2016 Strategic Plan is a forward-looking managerial document which pertains more to the view of the Company and the business units overall rather than being related to any individual contract. Under this perspective, the plan reflects the anticipated estimates of the management in terms of risks and obligations related and not related to any individual contract, organising them into areas of responsibility for corporate planning purposes. Due to its managerial and corporate nature, potential estimates of costs and revenues reflected in such document are not subject to the provisions of the abovementioned accounting principle, being a reference point for the management of all the business units together. Therefore, the industrial marginalities of the Strategic Plan do not necessarily reflect the principles set forth under IAS 11. One can infer that the outcomes set out in the Strategic Plan cannot be used for the valuations in the Financial Statements when they are related, for example, to the accounting principles set forth under paragraphs 34 and 36 of IAS 11, without any further re-assessments.
In this respect, with reference to the Financial Statements as of December 31, 2012, the amount of the costs, lacking the requisites provided for in IAS 11 to be included among the contract costs since they are specifically related to the corporate structure of the Company, is equal to €628 million (also defined as 'cost of contracts').
As indicated among the summary of significant accounting policies on page 72 *et seq.* of the Annual Report (English version), with reference to individual contracts, the negative margins, including those expected, from each individual contract as of December 31, 2012 are accounted in the 'other funds' provision for an amount equal to €60 million. These involve additional costs that were originally not foreseeable and for which the contractual provisions did not provide for reimbursement by the Customer.

Projects with differences between physical stage of completion and economic stage of completion

With reference to page 81 of the 2012 Annual Report (English version) and, in particular, to the paragraph entitled 'Contract work in progress', consider the following.
The change in the contract work in progress calculated in 2012, equal to €973 million, is mainly attributable to:

a) as to €416 million, for Change Orders for which their acceptance by customers is deemed probable; and
b) as to €557 million, for invoicing aspects related to on-going contracts for which, by reason of not yet having reached the applicable physical and economic progress, the contractual right to issue the relative invoices was not yet accrued.

The value relating to the difference between the physical stage of completion of the projects and the economic stage of completion of the contracts, measured using the cost-to-cost method, is part of the 'Work in progress' line item. Such difference is attributable to, as of December 31, 2012, the costs incurred ahead of time, compared to the level invoiced, for which either the contractual right had accrued or the recognition by the Customer was deemed probable.
The total amount of revenues recorded in 2012 related to the projects for which the economic stage of completion was significantly greater than the physical stage of completion as mentioned above under points (a) and (b), as of December 31, 2012, is €4,005 million.

BU Target/Contingency

With reference to page 98 of the 2012 Annual Report (English version) and, in particular, to the 2013-2016 Strategic Plan mentioned therein, consider the following.
The projections in the strategic plan are performed at the level of each of the following business lines: Offshore E&C (Engineering and Sea Construction), Onshore E&C (Engineering and Land Construction), Offshore Drilling (Sea Drilling) and Onshore Drilling (Land Drilling). For each of these lines the related income statement, highlighting the EBIT, and the investment plan are produced. Later, the consolidation of the economic, patrimonial and financial projections of the plan is completed at a group level.

E&C Business Unit

The economic projections of the plan of the E&C Business Unit (Engineering & Construction) are produced on the basis of the aggregation of the economic results of the individual operating projects. This analysis is carried out separately for the Offshore E&C and Onshore E&C business units, up to determining the EBIT of the business, as explained below:

- for each project considered, the value of the project over the full life of the contract (revenues and margins) is divided by the number of years for its performance;
- the projects considered in the projections of the plan are divided as follows:
  - **Acquired Projects (or in portfolio)**: the revenues and margins over the full life of the contract of these projects also take into account the assessment of the outcome of the claims towards customers and the change orders;
  - **Speculative Projects**: the new projects not yet included in the portfolio and for which the highest possibility of acquisition exists; these projects already produce economic and/or financial effects during the first year of the plan (budget);
  - **Target Projects**: the new projects still not yet included in the portfolio and for which there is a lower probability of acquisition compared to the Speculative projects. The Target projects start producing economic effects on the basis of the presumed acquisition date, but in any case in the projections no effect is considered before the second year of the plan. The margins of the Target projects are hypothesized on the basis of the relative business segment (onshore or offshore). The overall revenues and margins of the Target projects, weighted by relative probability of acquisition, are amended on the basis of qualitative and forward-looking evaluations, and therefore necessarily subjective, of the top management of the Company with the aim of making the overall results compatible and coherent with the performance capacity of the organisational and operating structure of the E&C Business Unit. The amendment process entails a subjective and synthetic valuation within the E&C Business Unit designed to reflect the confidence in the market trends, the situation and negotiations related to the ongoing projects and the state of the offers for the new projects;
- the determination of the overall sales margin is carried out by subtracting all the operating expenses not specifically allocable to the projects from the margins of the projects as determined above. Then a further target margin is added to such margin. Such target margin ('BU Target') incorporates the expectations of the management with regard to: (i) the margin level of the Speculative projects; (ii) the volume of acquisitions and the margins of the Target projects; (iii) the improvement of the projects in portfolio (for example, on the basis of the state of claim negotiations or change orders not included in the estimates of the relevant project); and (iv) the level of efficiency on the operating expenses under the E&C Business Unit's control.

  Since the assessment of the 'BU Target' is based on factors that are estimates, by their nature hard to quantify analytically, the management's perception of expected income of the E&C Business Unit is a relevant factor. The change in the Company's top management that took place in December 2012, prior to the approval of the 2013-2016 Strategic Plan, has prompted the 'BU Target' to reflect the different expectations of the new management in comparison with the previous management.

Finally, in order to determine the overall EBIT of the business, the idle costs (mainly of vessels, equipment and personnel that are presumed not to be used on the projects), the selling expenses, the research and development costs, other operating expenses not allocable to the projects and the general and administrative expenses are subtracted from the sales margin.

Drilling Business Unit

The economic projections of the plan of the Drilling Business Unit are produced on the basis of each single means for offshore drilling and of each geographical area for onshore drilling. The addition of the data in order to calculate the overall EBIT of the business is performed as explained below:

- for every means of offshore drilling the average number of operating days for each year of the plan is estimated, based on technical interruptions related to planned periodical maintenance, the ongoing contracts and the commercial expectations of the Drilling Business Unit, as well as the level of the rates charged to customers, the operating expenses and amortisation;
- for onshore drilling, by aggregating the data by geographic area, the average number of operating days for each year of the plan is estimated, based on technical interruptions related to periodical maintenance, the ongoing contracts and the commercial expectations of the Drilling Business Unit, as well as the level of the rates charged to customers, the operating expenses and amortisation;
- in order to determine the sales margin of the Drilling Business Unit, all the operating expenses not specifically allocable to each drilling vessels or geographical area are subtracted from the overall margins generated from the drilling vessels and the overall margins of the geographical areas for land drilling;
- in order to calculate EBIT, the idle costs (mainly related to drilling installations, equipment and personnel), the selling expenses,

the research and development costs, other operating expenses not allocable to the drilling vessels or the geographical areas and the general and administrative expenses are subtracted from the sales margin.

* * *

The 'BU Target' margin for the current financial year is monitored quarterly through the budget verification process, which entails, on a quarterly basis, the verification and possible update of the estimates of the revenues, EBIT, net profit and level of investments for the current financial year.

Algeria

With reference to page 118 of the 2012 Annual Report (English version) and, in particular, to the heading 'Algeria' mentioned therein, consider the following.

The Supreme Court of Algiers upheld the freezing of Saipem Contracting Algérie's bank accounts holding approximately €80 million equivalent as indicated in the Annual Reports of 2010, 2011 and 2012.

Furthermore, the Company is aware of a possible extension to the ongoing investigations by the Tribunal of Algiers, although it has no evidence regarding the status of the investigations or of the people involved.

Therefore, on the basis of the current facts and the status of the ongoing investigations, both in Italy and in Algeria, there are no indications to ascertain the existence of a probable obligation. Therefore, there are no requisites to allocate any potential liabilities for the Company.

Addendum - Sustainability Performance

saipem

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 data disclosed previously in sections of the Annual Report and through other tools used to report on the year's performance, as detailed in the chapter 'Methodology, Criteria and Principles of Reporting'.

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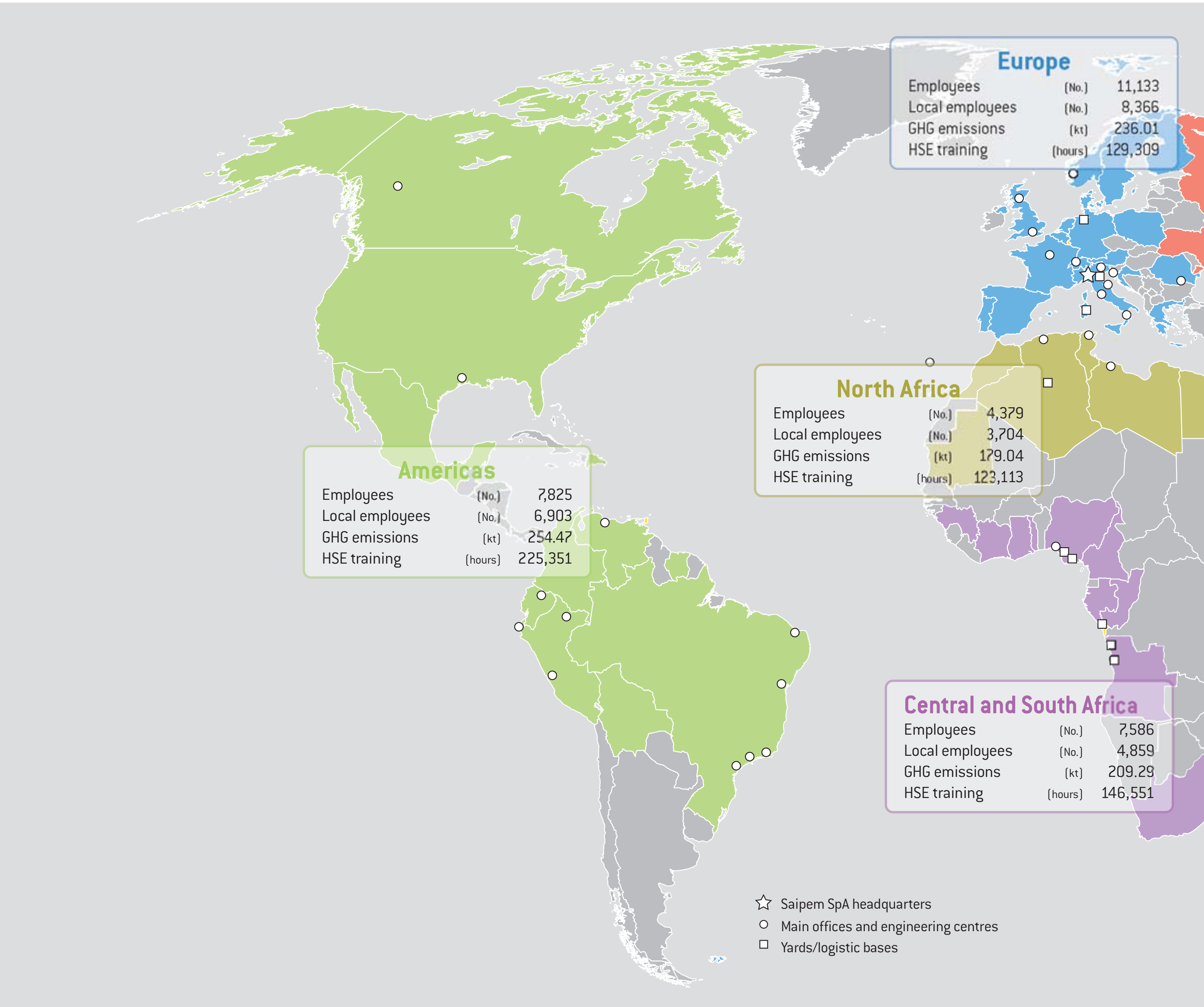
Organisational Profile

Ref. GRI 2.1-2.10

Saipem is a leading global contractor with a significant local presence in strategic emerging areas such as Africa,Central Asia, America, the Middle East and South East Asia.
Saipem enjoys an excellent competitive position in terms of EPIC (Engineering, Procurement, Installation and Construction) and EPC (Engineering, Procurement and Construction) services to the Oil&Gas industry, both onshore and offshore, with a special focus on technologically complex and difficult projects, including activities in remote areas, in deep waters and on projects that involve difficult gas or crude supplies. The drilling services offered by the Company stand out for the way they are provided in many of the most critical areas of the oil industry, often in synergy with onshore and offshore activities. Saipem's ability to execute projects in critical and remote areas is ensured by efficient coordination between local and Corporate activities, guaranteed logistical support worldwide and the consolidated capacity to tackle any difficulties that arise locally. Saipem has been listed on the Milan Stock Exchange since 1984. It is a subsidiary of Eni which currently holds a 42.91% share in the Company.

The organisation

Saipem has cutting-edge competencies in engineering and project management and avails of a technologically advanced and extremely versatile fleet.
The Company has two Business Units – Engineering & Construction and Drilling – which often operate in synergy for onshore and offshore projects. The Engineering & Construction BU



is the result of a merger between the previous Onshore and Offshore Business Units.

Figures for 2012

Offshore Engineering & Construction activities in 2012 consisted in laying 1,435 km of pipeline and installing 122,765 tonnes of plant and equipment. Onshore Engineering & Construction, on the other hand, comprised the laying of 543 km of pipeline of varying diameter and the installation of 261,410 tonnes of plant and equipment.
Offshore Drilling comprised the drilling of 109 wells, totalling approximately 193,866 metres, whereas Onshore Drilling comprised 347 wells, totalling approximately 953,022 metres.

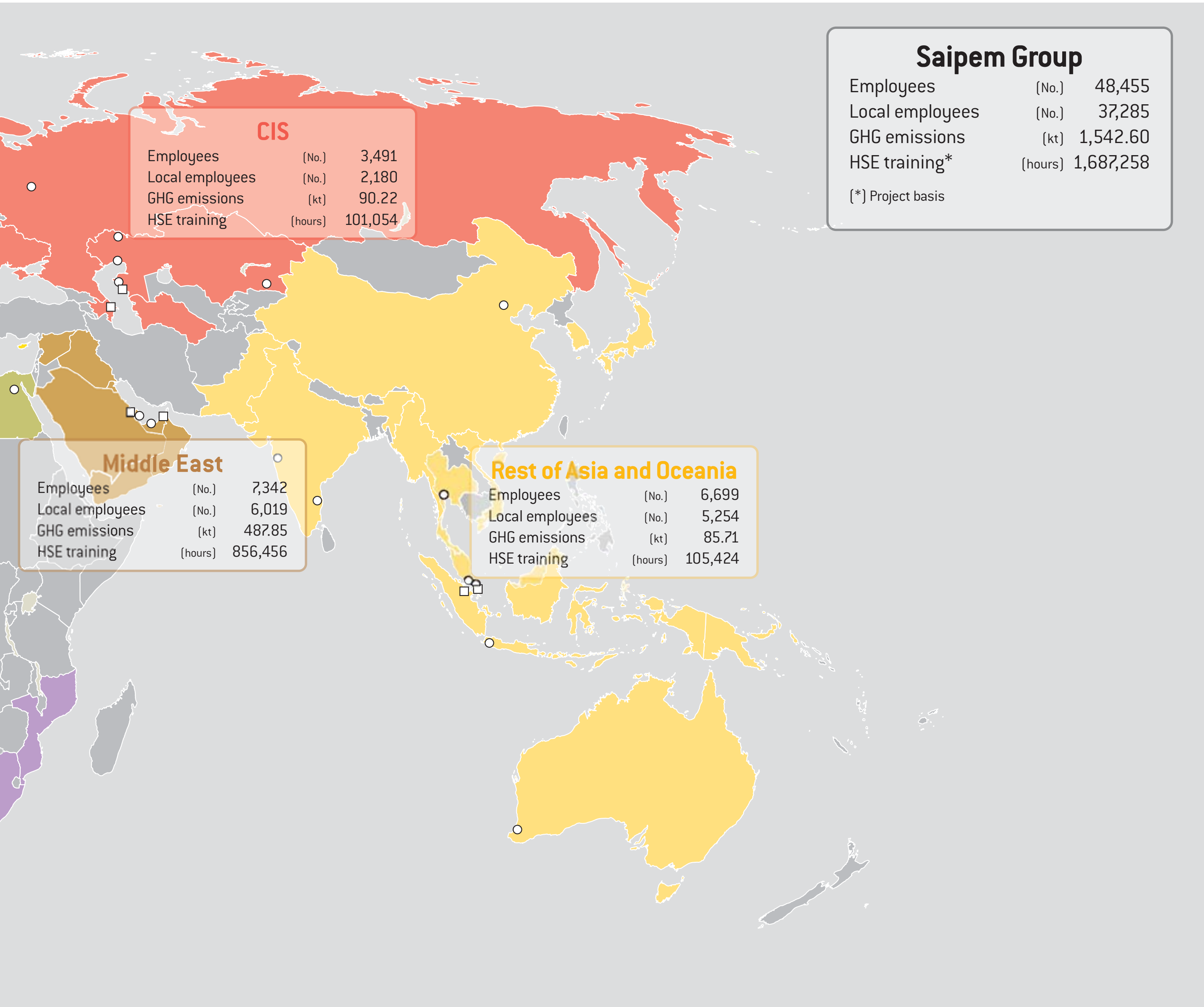
Shareholders by geographical area [1]

Shareholders	Number of shares	% of capital
Italy	222,471,730 [2]	50.4
Other EU States	8,732,188	19.88
America	52,455,491	11.88
UK and Ireland	46,878,845	10.62
Other European States	12,707,827	2.88
Rest of the World	19,164,819	4.34

(1) Based on 2011 dividend payments.
(2) Includes 1,996,482 treasury shares with no dividend entitlement.

Backlog by client

	(%)
Supermajor	22
Major	18
Independent	7
NOC	41
Other	12



Commitments, Results and Objectives

Ref. GRI 1.2

Commitments	2012 Results	2013-2016 goals
Safety		
Ensure the safety of everyone who works for Saipem	- Obtained OHSAS 18001 certification for all Saipem Corporate, Engineering & Construction BU and integrated project activities, including management of office buildings in Italy - Disseminated the LiHS programme, continued the 'Leading Behaviours' campaign and produced a film on health and safety themes - Launched new Delphi portal for the standardisation and sharing of teaching materials - Developed NIKE software, a support tool for the selection and delivery of personal protective equipment	- Obtain OHSAS 18001 certification for Drilling BU activities - Plan training activities on the basis of the 'HSE Training Protocol', revised in 2012 following the updating of professional roles - Continue and expand the LiHS 'Leading Behaviours' programme - Improve communications and sharing of information with subcontractors to enhance their performance and ensure compliance with Saipem's health and safety standards - Continue implementation of the industrial hygiene campaign
Health		
Safeguard and promote the health of Saipem people	- Continued malaria programmes for employees and local communities - Raised awareness of vaccination and continued prevention work in favour of employees - Continued the BEST pilot project which, on account of the positive results obtained, has been renamed the 'H-Factor' - Organised events on the prevention of illnesses such as tuberculosis, malaria, hypertension, diabetes, AIDS, combating smoking and supporting blood donations - Launched a teledermatology programme in Nigeria - Concluded the health protocol validation and pre-travel training programme	- Reinforce implementation of the various remote medicine programmes and monitor their correct use, especially for employees working in frontier areas - Promote the H-Factor campaign and extend it to operating companies and branches - Implement initiatives for local populations where onshore installations are present in order to promote health and prevent illnesses - Guarantee ongoing training for medical personnel, providing specialist courses such as ATLS (Advance Trauma Life Support) - Continue ongoing monitoring of Health Performance Indicators (HPI)
Personnel development		
Develop the skills and competences of human resources and improve both the work environment and the HR management system	- Set up the 'Progetto Sinergia' to create greater consistency and co-operation between technical knowledge and its application in the Company - Reviewed professional roles - Concluded the Competence Assurance & Assessment (CA&A) process in offshore construction - Cooperated with local universities for the development of technical and managerial competencies of personnel - Implemented training initiatives in support of recruitment of HSE professionals	- Develop and diffuse the Knowledge Owner Project for international resources and implement a plan for making the most of the resources involved - Define minimum labour standards for people and sites and implement improvement measures, where necessary - Increase even further the presence of local personnel at all levels of the organisation and promote greater multi-culturality - Implement actions in support of female employment by increasing the presence of women candidates at all levels, improving the quality of their working conditions and adopting welfare tools - Implement payroll and turnover monitoring policies - Continue the employee satisfaction and work environment surveys on young graduates and school leavers - Continue the 'Progetto Sinergia'
Security		
Ensure the security of Saipem's people and vessels	- Issued the Security Management System (bid and execution phases) and the Security Golden Rules (bid and execution phases), to ensure the highest standards possible for the protection of people and assets in environments sometimes characterised by high levels of risk - Held first Security Meeting in Zurich	- Continue the expansion of the number of contracts with security services providers that include clauses on human rights - Design and deliver training courses on human rights for Security personnel
Environment		
Manage and minimise environmental impact in the life cycle of operations and improve environmental performance	- Launched environmental awareness campaigns on themes related to the eco footprint - Obtained ISO 14001 certification for all Saipem Corporate Engineering & Construction BU and integrated project activities, including management of office buildings in Italy) - Started up preliminary activities to effectuate energy assessments on several assets and buildings - Improved the sharing of information and best practices between all operating companies - Delivered training courses on operating control of environmental aspects and more specific courses on waste related themes	- Continue ongoing monitoring of environmental performance and impacts - Carry out an energy assessment on several assets and buildings to identify critical areas and propose corrective actions in order to increase energy efficiency - Carry out a specific case study for the protection of water resources in order to identify criticalities and best practices - Obtain ISO 14001 for Drilling BU activities

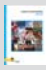
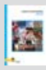
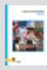
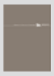
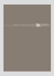
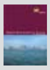
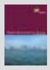
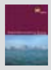
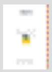
Commitments	2012 Results	2013-2016 goals
Local areas and communities		
Improve and consolidate relations with local stakeholders	- Held two in-house workshops with sustainability facilitators to standardise and improve tools for mapping and analysing stakeholders and local facilitator contexts - Structured activities for monitoring of local community initiatives and relations with stakeholders - Carried out survey on local stakeholders in Karimun and presented results to local stakeholders - Completed a study of socio-economic conditions in Kuryk (Kazakhstan) - Analysed the education system in Kuryk (Kazakhstan) to pinpoint areas in need of improvement and implement specific projects - Signed a Memorandum of Understanding with the municipality of Guarujá (Brazil)	- Strengthen dialogue with clients and local institutions in relation to Saipem's programmes for development of the local context - Consolidate the system for mapping and defining local stakeholder engagement strategies with a view to boosting relations - Complete the training of sustainability officers so as to ensure adequate cover of those areas where Saipem has a long-term presence. The main areas of intervention are monitoring of local community initiatives and activities targeted at reinforcing stakeholder relations - Continue with the preparation of communications tools tailored to local stakeholders
Contribute to the development of local social and economic conditions	- Implemented a model for assessing the effects of the Local Content strategy on France, Angola and Indonesia - Completed a Social Return on Investment (SROI) study on the Karimun yard (Indonesia) - Continued the social and labour rights auditing programme on 19 vendors - Set up a Socio-Economic Impact Assessment for the new fabrication yard in Brazil and subsequently defined an Action Plan - Involved local vendors and subcontractors in sustainability initiatives targeted at host communities in Kazakhstan - Set up partnerships and associations with local schools, institutes and universities to boost the education system and improve the skills of the local population, including with reference to technical Oil&Gas related issues as well as health and safety (Kazakhstan, Peru, Italy, Brazil, Nigeria, Colombia and Algeria) - Set up partnerships and associations with health organisations and institutions to improve local health conditions and combat endemic illnesses (Venezuela, Colombia, Kazakhstan, Congo, Angola, Nigeria)	- Continue implementation of the assessment model of effects of the local content strategy on significant operating contexts - Continue the auditing programme on vendors in critical areas on themes related to labour rights and respect for human rights - Continue activities in support of the socio-economic development of host communities and the leveraging of local resources in the main communities in which Saipem operates - Continue actions to increase the share of local project based procurements, including by means of initiatives to support the qualification of local vendors
Clients		
Improve the quality of services offered, including in relation to issues of sustainability that are of interest to the client	- Held specific meetings on sustainability themes with various clients, among whom Chevron, Petrobras, ExxonMobil, Total E&P, Inpex, SABIC Safco and Woodside - Carried out a study to evaluate the socio-economic benefits of a project in Suriname	- Promote dialogue with clients with a view to strengthening relations, including in a perspective of sustainable management of projects - Participate in national and international sustainability events to present and share results, programmes and approaches to interested stakeholders
Governance		
Maintain and reinforce a governance system that is capable of meeting Saipem's business challenges in a sustainable way	- Provided training (e-learning and classroom) on anti-corruption legislation and practice, Model 231 and the Code of Ethics - Approved the 'Anti-Corruption Management System Guideline' (MSG) which replaced the previous Guidelines and optimised the compliance system already in force - Completion, with a view to short-term implementation, of control standards relating to the environmental crimes introduced by Law No. 121 of 2011, such as offences eligible for establishing administrative responsibility of companies pursuant to Legislative Decree No. 231/2001 - Reviewed and updated the Corporate Standards 'Joint Venture Agreements - Prevention of Illegal Activity' and 'Intermediary Agreements'	- Update Saipem SpA's Model 231 to include the crimes introduced by Italian Legislative Decree No. 231/2001, by Law No. 94, Law No. 99 and Law No. 116 of 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 Organisation, Management and Control Model with local legislation and that they subsequently carry out gap analyses on sensitive activities and on control standards in force in the companies themselves

Methodology, Criteria and Principles of Reporting

Ref. GRI 3.1-3.13

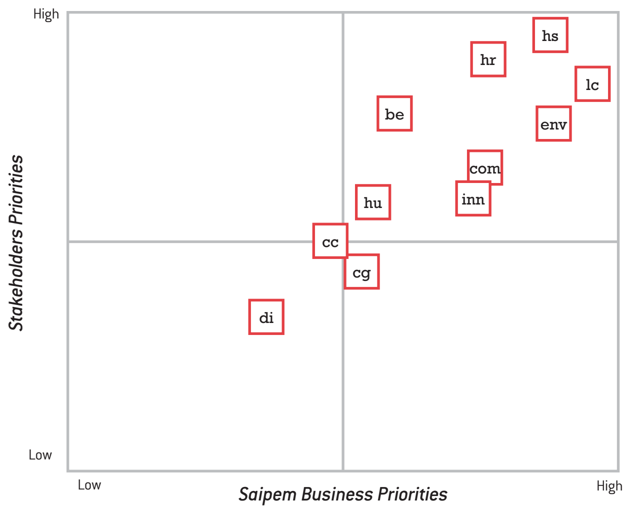
Since 2011, the Group's sustainability indicators and, more generally, its sustainability performance have been disclosed in the form of this Addendum to the document 'Saipem Sustainability'. The Addendum deals with themes deemed to be 'material' for Saipem and its stakeholders and describes the measures and initiatives implemented to achieve the targets set.

Both this Addendum and 'Saipem Sustainability' are an integral part of Saipem's sustainability reporting and communication system, which consists of a series of tools designed to convey information to all Stakeholders in an exhaustive and efficient way.

Communication Tools	Financial Stakeholders	Clients	Internal Stakeholders	Local Stakeholders
Saipem Sustainability 2012				
Addendum: Sustainability Performance				
Country & Project Reports				
Financial Statements 2012, Corporate Governance, Code of Ethics				
Annual leaflets, posters and internal newsletters				
Sustainability on the web and interactive reports				
iPad Application				

Reporting principles and materiality analysis results

The information and data indicators dealt with herein are compliant with the Guidelines of the Global Reporting Initiative, version G3.0.
In order to define the sustainability themes considered most significant, both within the Company and in relation to Stakeholders, a materiality analysis was once again carried out in 2012.
The level of internal significance was set by the Sustainability Committee, taking into account the Company's principles and values, its business strategy and objectives, as well as the skills and distinctive features for which it stands out in its market segment.
The level of external interest, on the other hand, was surveyed by combining a sustainability benchmarking analysis of the Company's main clients (Majors and National Oil Companies) with the results of the requests and interests that various Stakeholders submitted to Saipem during the reporting year. These were then assessed over against the results of an analysis of the frequency (how often and how many questions were asked on a specific theme) and relevance (the level of criticality and the weight



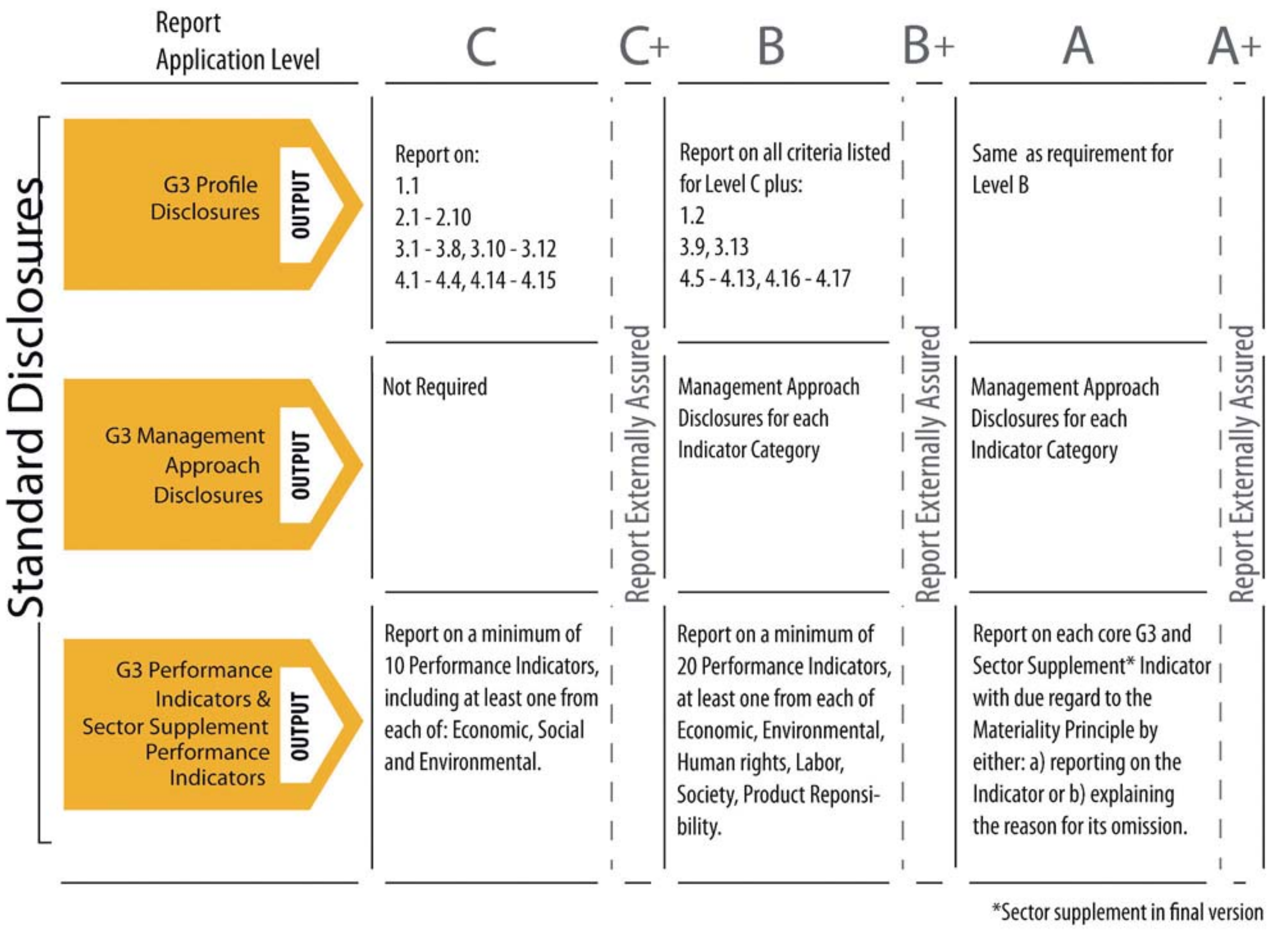
Health & Safety	**hs**	Human Resources	**hr**
Environment	**env**	Diversity	**di**
Climate Change	**cc**	Local Communities	**com**
Corporate Governance	**cg**	Local Content	**lc**
Business Ethics	**be**	Innovation	**inn**
Human Rights	**hu**		

assigned to the theme) with which the topics dealt with appear in the questionnaires of financial analysts and rating agencies.
In order to simplify analysis and comparison of results, the themes were broken down into 11 macro categories. Their materiality was then determined by the nexus of internal and external significance.
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. Greater weight was therefore given to those issues and geographical areas in which the Company has a more significant impact.

Reporting Scope

In order to facilitate reader comprehension of performance trends over time, this Addendum contains information on, and a description of, the performance indicators of Saipem SpA and all its subsidiaries, including any companies involved in joint ventures with it, for the period 2010-2012.
As regards financial data, in accordance with the criteria adopted for the drafting of the Annual Report, the reporting scope also includes, on a line-by-line proportional basis, the data of subsidiaries and companies managed under joint operating agreements.
When financial data is not being disclosed, the operational criterion is adopted, which is to say that the Saipem Group reports 100% of operations in which Saipem SpA or one of its subsidiaries exercises operational control.
For HSE data, non-operating entities and subsidiaries that do not produce significant effects are not included in the reporting scope. In some cases, for certain HSE indicators that are considered to be particularly important for the business of the Company, subcontractors and vendors working on Company projects are included.
Exceptions to the above criteria are expressly indicated in the text, as are any changes to the indicator calculation methodologies, without this in any way affecting the general commitment to maintain consistency in both the information and the data reported.
Reporting is subject to controls by the same independent auditor used for the Annual Report, for this Addendum and for the document 'Saipem Sustainability 2012'.

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



Disclosure on Management Approach

The table below discloses the Management Approach to sustainability issues pursuant to version G3.0 of the Guidelines of the Global Reporting Initiative. All documents mentioned are available on the company website http://www.saipem.com.

Category	Topic	Document	Section title
Economic Performance	Saipem is an international contractor operating in the Oil&Gas industry whose revenues in 2012 totalled €13 billion. The Company has in excess of 48,000 employees and is present in more than 80 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 vendors in a way that contributes to their social and economic development.		
	Management Method	AR	Letter to the Shareholders
		Saipem website	Industrial Model
		SS12	Chapter 'Managing company business for long-lasting success'
	Goals and Performances	AR	Letter to the Shareholders; Operating Review; Financial and Economic Results
	Policy and other Information	AR	Letter to the Shareholders
Environmental Performance	For Saipem, supplying excellent products and services goes hand in hand with the Company's commitment to environmental protection. Saipem has a well-structured and integrated HSE Management System that acts as a point of reference for all production units. The Management System also entails systematic auditing in order to ensure compliance with national and international legislation and regulations and with the conditions of contracts entered into with clients. Alongside the HSE and Environmental Managers and their teams working in Corporate and in the main operating companies (where at least one HSE Manager and a HSE team are normally appointed), each operating project is specifically assigned an HSE team, often with an HSE or Environmental Manager. Reducing environmental impacts to a minimum is an objective found along the entire life cycle of a project, from engineering phase through to decommissioning. Furthermore, technological innovation at the service of Company assets combines with the implementation of best practices on projects to ensure constant pursuit of improvement in the Company's environmental performance.		
	Management Method	SS12	Chapter 'Environmental protection: delivering a sustainable future'
		Saipem website	'Sustainability' section
		AR	'QHSE' paragraph
	Goals and Performances	SP	Commitments, Results, Objectives and Key Sustainability Indicators
	Policy	Saipem website	Section 'Sustainability, Sustainability Policy and HSE Policy'
	Organisational Responsibility	Saipem website	'Sustainability' section
	Training and Awareness	SS12	Chapter 'Environmental protection: delivering a sustainable future'
		AR	'QHSE' paragraph
	Monitoring and Follow-Up	SP	Key Sustainability Indicators
		SS12	Chapter 'Environmental protection: delivering a sustainable future'
Labour Practices and Indicators of Decent Working Conditions	Saipem believes that human capital is a key element for its durable competitive success. This is why it is vital to ensure adequate protection of labour, the continuous development of skills and competences, and the creation of a working environment that is free of discrimination and that offers equal opportunities for all on the basis of merit, while at the same time assuring respect for and adaptation to the specificities of individual situations. The workplace health and safety of all Saipem personnel are a priority objective and are constantly monitored and guaranteed in Company operations through an integrated HSE Management System. Industrial relations are handled with due regard for the peculiarities of local socio-economic contexts as well as for the labour laws in force in the country where the Company is operating.		
	Management Method	SS12	Chapters 'People: our success driver' and 'Health & Safety: key principles in Saipem's operations'
		Saipem website	'Sustainability' section
		AR	'HR' and 'QHSE' paragraphs
	Goals and Performances	SP	Commitments, Results, Objectives and Key Sustainability Indicators
	Policy	Saipem website	Section 'Sustainability, Sustainability Policy'
	Organisational Responsibility	SS12	Chapter 'People: our success driver'
		Saipem website	'Sustainability' section
	Training and Awareness	SS12	Chapters 'People: our success driver' and 'Health & Safety: key principles in Saipem's operations'
	Monitoring and Follow-Up	SP	Key Sustainability Indicators
		AR	'HR' and 'QHSE' paragraphs

Category	Topic	Document	Section title
Human Rights	Saipem complies with international human and workers' rights legislation and is committed to ensuring that its own vendors do likewise. Saipem's sustainability policy declares explicitly that 'respect for Human Rights is the foundation of inclusive growth of societies and local areas and, consequently, of the companies that work within them'. Saipem contributes to the creation of the socio-economic conditions required for the effective enjoyment of fundamental rights and promotes the professional growth and well-being of its own local human resources. As expressed quite clearly in the Code of Ethics, Saipem undertakes to spread knowledge of Company values and principles by implementing suitable procedures of control and protecting the specific rights of local populations.		
	Management Method	SS12	Chapters 'People: our success driver', 'Building a sustainable supply chain', 'Global company, global integrity' and 'Living together with local communities'
		CE	Business Ethics
	Goals and Performances	SP	Commitments, Results, Objectives and Key Sustainability Indicators
	Policy	CE	Business Ethics
		Saipem website	Key Sustainability Indicators
	Organisational Responsibility	SS12	Chapter 'Global company, global integrity'
		CE	Business Ethics
	Training and Awareness	SP	Key Sustainability Indicators
		SS12	Chapter 'Global company, global integrity'
	Monitoring and Follow-Up	SP	Key Sustainability Indicators
Social Performance	Saipem undertakes to contribute to the long-term social and economic development of the areas in which its business is located. This objective 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 in order to pinpoint, by way of a structured process, those 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 that is conducive to ensuring constructive and ongoing dialogue, has been introduced.		
	Management Method	Saipem website	'Sustainability' section
		SS12	Chapters 'Living together with local communities' and 'People: our success driver'
		CG	Paragraphs 'Transparency' and 'Anti-Corruption Practices'
	Goals and Performances	SP	Commitments, Results, Objectives and Key Sustainability Indicators
	Policy	Saipem website	Key Sustainability Indicators
	Organisational Responsibility	CG	Paragraphs 'Transparency' and 'Anti-Corruption Practices'
		SS12	Chapter 'Living together with local communities'
	Training and Awareness	AR	'HR' paragraph
	Monitoring and Follow-Up	SP	Key Sustainability Indicators
Product Responsibility	Customer satisfaction is a key factor in sustainable business. Each Saipem project has Quality and HSE Management Systems implemented in order to manufacture products, supply quality services and carry out all activities in conditions of maximum safety. In compliance with Corporate Policy for Quality, all of Saipem's operating companies have implemented a Quality Management System in accordance with ISO 9001, Corporate guidelines and relevant standards.		
	Management Method	Saipem website	'Activities' section
		SS12	Chapters 'Health & Safety: key principles in Saipem's operations' and 'Managing our business for a long-lasting success'
	Goals and Performances	SS12	Chapter 'Health & Safety: key principles in Saipem's operations'
		SP	Commitments, Results, Objectives
	Policy	Saipem website	Key Sustainability Indicators
	Organisational Responsibility	Saipem website	'Sustainability' and 'Activities' sections
	Training and Awareness	SS12	Chapter 'Health & Safety: key principles in Saipem's operations'
	Monitoring and Follow-Up	SS12	Chapter 'Health & Safety: key principles in Saipem's operations'

Acronyms:
AR: Annual Report 2012
SS12: Saipem Sustainability 2012
SP: Addendum - Sustainability Performance
CE: Code of Ethics
CG: Corporate Governance and Shareholding Structure Report 2012

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 2012' [CGR 2012], which is available in the 'Governance' section of the Company website.

Ref. GRI	Governance
4.1-4.2-4.3	Saipem's organisational structure is characterised by the presence of a Board of Directors, a pivotal body in the governance system, to which management of the Company is exclusively entrusted. Supervisory functions are the responsibility of the Board of Statutory Auditors whereas External Auditors are in charge of the legal auditing of accounts. The Shareholders' Meeting manifests the will of the Shareholders through resolutions adopted in compliance with the law and the Company's Articles of Association. The Board of Directors is made up of 8 members, of whom 6 non-executive, 5 independent non-executive and 2 executive. The Board was appointed by the Shareholders' Meeting of May 4, 2011. Two committees with advisory and consulting functions have been set up within the Board of Directors. These are the Audit and Risk Committee, consisting of three non-executive independent members, and the Compensation and Nomination Committee, likewise made up of three non-executive independent members. [Ref. CGR 2012 – 'Organisational 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	Communications with shareholders are ensured by the manager of the Secretary's Office and any information that is of interest to them is made available on the Saipem website or can be requested via email by writing to: segreteria.societaria@saipem.com. To protect minority interests, one Statutory Auditor and one Alternate Statutory Auditor from the Board of Statutory Auditors are chosen from among the candidates put forward by minority shareholders. The 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 website. It is further ensured by means of press releases, periodical meetings with institutional investors, the financial community and the press. Saipem employees have a number of dedicated information channels available, including the intranet portal, the quarterly in-house magazine 'Orizzonti' and a large number of newsletters and local magazines. Furthermore, information and dialogue channels provided for under agreements with the trade unions are ensured within the industrial relations system so that all employees receive timely information, are consulted and can participate. Saipem provides employees and stakeholders with an information channel – overseen by the Compliance Committee in a way that ensures confidentiality and prevents any form of retaliation – through which it is possible to report any problems related to the internal control system, financial reporting, corporate administrative liability, fraud or other topics (i.e. violations of the Code of Ethics, mobbing, theft, security, etc.). [Ref. CGR 2012 – 'Board of Statutory Auditors'; website www.saipem.com]
4.5	Remuneration of the CEO and the Deputy CEO, as well as 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. [Ref. CGR 2012 – '2012 Remuneration Report']
4.6	The Saipem procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and Transactions with Related Parties' (available at www.saipem.com in the 'Corporate Governance' section), which aims to ensure transparency as well as substantive and procedural correctness in transactions with other parties, was approved by the Board of Directors in 2010 and was amended on March 13, 2012. [Ref. CGR 2012 – 'Transactions involving interests held by Board Directors and Statutory Auditors and Transactions 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, the Board of Directors carries out a yearly Board Review on the size, composition and level of functioning and efficiency of the Board and its Committees.To this end, it avails of the assistance of a specialist external consultant. [Ref. CGR 2012 – '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 characterise the conduct of the entire organisation. In compliance with the provisions of law, the Code of Ethics clearly defines the values that Saipem recognises, accepts and shares, as well as the responsibilities the Company assumes both internally and externally. In order to guarantee the achievement of business objectives, the Board of Directors has so far approved the following Policy documents: 'Our People'; 'Our Partners in the value chain'; 'Global Compliance'; 'Corporate Governance'; 'Operational Excellence'; 'Our Institutional Partners'; 'Information Management'; 'Our tangible and intangible assets'; 'Sustainability'; 'Integrity in our operations'. As shown in this document, the results of the Company and its subsidiaries in the social, environmental and economic spheres testifies to the degree to which the aforementioned principles have been implemented. Further details of their application in specific operational contexts are supplied in the document 'Saipem Sustainability 2012'. [Ref. CGR 2012 – 'Issuer Profile'; 'Code of Ethics'; 'Saipem Sustainability 2012']
4.9-4.10	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 sustainability 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, control, review of results and setting of new targets. The performance is presented and discussed at each meeting of the Board of Directors, which subsequently issues operative instructions. Furthermore, as part of the implementation of the policy of maximising Local Content, and with regard to the management of the Company's personnel, the Board of Directors is likewise informed, when needed, of the Company's social performance. Every four months, the Sustainability Committee, of which the CEO and the Deputy CEO are members, is presented with the main performance results and activities underway as regards sustainability. The Committee then supplies guidelines and approves the activity plan. The Committee is also informed about, and provisionally approves, the external report on the year's sustainability performance, which is subsequently approved formally by the Board of Directors concurrently with the Annual Report. In accordance with 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. AR 2012 – 'Risk Management'; 'Sustainability'; CGR 2012 – 'Risk and Internal Control Management System in Relation to the Financial Reporting Process'; 'Board Review']

4.11	Saipem identifies, monitors and actively manages project related risk mainly in relation to engineering and construction contracts, both in bid and execution 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 optimisation of any opportunities identified. [Ref. FR 2012 – 'Risk Management', website www.saipem.com]
4.12	The Universal Declaration of Human Rights adopted by the United Nations, the Fundamental Conventions of the ILO (International Labour Organisation) and the OECD Guidelines for Multinational Enterprises, are fundamental principles on which Saipem bases its Code of Ethics and conducts its operations. [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 36 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 Organisation for Standardization) and ANIDA (Associazione Nazionale Imprese Difesa Ambiente - National Business Association for Environmental Protection). Some operating companies are members of the 'Ship Owners and Marine Industry Ventures Association' and of the BIP (Brazilian Institute of Petroleum and Gas). The Saipem Group takes part in a total of 46 associations.

Stakeholder relations Ref. GRI 4.14-4.17

The methods adopted by the Company to identify, map and engage with stakeholders locally are described in the document 'Saipem Sustainability 2012'. The main stakeholder engagement activities carried out in 2012 are outlined below.

Financial stakeholders

Saipem's shareholders are mainly involved through Road Shows (25), interfacing with the Company Secretary, conferences for financial investors (12) and updating of the special shareholders' section on the Saipem website. Financial analysts and rating agencies are provided with information via the disclosure of periodical results and the illustration of objectives and achievements. The document 'Key for interpreting Saipem's website and published documents' describes where information and data can be found for each significant sustainability theme. In 2012, Saipem provided a number of informative sustainability documents to Goldman Sachs, Inrate, La Financière Responsable, EIRIS and F&C Management Ltd, and was in direct contact with the Carbon Disclosure Project (CDP).

Clients

Nurturing of relations at the level of operating projects is ongoing and constant. Project managers and project staff hold interviews and meetings with clients, who are often present on-site, and reply on-the-ground to their queries and requests. Clients are also involved in HSE training initiatives, such as environmental awareness campaigns or the LiHS (Leadership in Health and Safety) programme. At the end of each significant project, and on an annual basis, the client is asked for feedback using the Customer Satisfaction tool. Furthermore, meetings with clients or potential clients are organised in pre-bid and bid phase and can involve a number of specific aspects such as Saipem's approach to sustainability. In 2012 Saipem held numerous meetings with clients to involve them in its global and local sustainability strategy. Some of these were attended by Chevron, Petrobras, ExxonMobil, Total E&P, Inpex, SABIC Safco and Woodside.

Employees

Workers' representatives and trade unions are involved in collective bargaining and in other forms of dialogue regarding specific local activities, including through periodical meetings. Management of Company employees is the responsibility of the Human Resources function on all Group operating sites, as described in the document 'Saipem Sustainability 2012'. Specific schemes can be organised, such as employee satisfaction and work environment surveys, and in-house meetings. In Kazakhstan, for example, the company ER SAI Caspian Contractor Llc initiated dialogue with its employees to define a community initiatives plan and invited them to take part in activities such as sports events, displays and grand openings. In the Congo, employees, along with their spouses, partners and children, participated in the Little LiHS workshop. Personnel engagement and training activities on sustainability themes continued throughout 2012 with induction for new employees, thematic seminars (in France) and specific meetings with managerial functions in France, Italy, Brazil, Australia and Indonesia.

Local communities

As described in the document 'Saipem Sustainability 2012', each operating company or project has a specific approach to relations with local communities. This takes into account both the role of Saipem and the socio-economic and cultural context in which it operates. Many initiatives involving local communities were held during 2012. In Karimun (Indonesia), a Stakeholder Perception Survey was carried out on 142 residents of the island (as described in the document 'Saipem Sustainability 2012'), while in Kazakhstan a public meeting was held with the population of Kuryk village to present and discuss the Ersai sustainability plan. In Nigeria, relations with local communities are defined and regulated in Memorandums of Understanding (MoU) signed by the Company, the client (for projects) and representatives of the communities affected by operations. Other initiatives and projects for local communities were held in the Congo, Colombia, Kazakhstan, Indonesia, Peru, Venezuela and Brazil (for further details see 'Saipem Sustainability 2012').

Governments and local authorities

Engagement with governments and, above all, local authorities is defined in relation to the circumstances in which Saipem operates, taking into consideration the specificities of the country and the social context. Alongside institutional and official relations with the authorities, Saipem cooperates with public bodies for the launch of initiatives in favour of local communities and local areas. In this regard, Saipem collaborates with local government health entities, hospitals and medical centres to implement projects targeted at raising awareness of diseases such as malaria, tuberculosis or AIDS in the Congo, Nigeria and Kazakhstan, as well as with environmental protection bodies in the Congo and Kazakhstan. In 2012, a 'Declaration of Intent' was signed with the Municipality of Guarujá in Brazil to formalise roles and commitments in the construction of a new Offshore Technology and Construction Centre. Furthermore, joint initiatives with the Department of Labour in the Republic of Kazakhstan facilitated the holding of a course organised and delivered by Saipem for public sector workers on lessons learned in the field of oil rig health and safety. Saipem works with local institutions such as schools and universities, including through specific partnership agreements, in order to contribute to the development of an education system that meets the needs of the private sector, with particular reference to the Oil&Gas industry. Numerous initiatives are under way in Algeria, Kazakhstan, Italy, Congo, Indonesia, Azerbaijan and Colombia in this regard.

Local organisations and NGOs

Saipem collaborates with organisations or NGOs, above all at local level, and at times through specific partnership agreements, with a view to implementing community initiatives tailored to the area's specificities and main problems. Cooperation with local NGOs is for the most part in the Congo and in Kazakhstan and is targeted at conducting studies and implementing initiatives of a local nature. The Stakeholder Perception Survey in Karimun also included a local environmental NGO. In 2012, Saipem and ER SAI Caspian Contractor Llc also met representatives of the Human Rights Watch in Kazakhstan to clarify events surrounding a strike that took place the previous year.

Vendors

Relations with vendors are discussed in the document 'Saipem Sustainability 2012', where the selection and assessment processes are described. At local level, specific initiatives for vendor involvement are constantly ongoing. These are targeted at improving the quality of supplies and at encouraging vendors to comply with Saipem's quality, health and safety, environmental and social requirements. In this regard, meetings were held most especially with vendors in India, China and Brazil. In Indonesia, the Congo and Kazakhstan, vendors were involved in initiatives for local communities, while in Azerbaijan an important training project was implemented for subcontractor employees supplying maritime services.

Key Sustainability Indicators

In compliance with the 'Sustainability Reporting Guidelines' of the Global Reporting Initiatives (GRI), the following table shows the indicators covered. When indicators are not applicable or not significant in relation to Company business, explanations are supplied. The section 'Additional Information' provides further specifications or references to documents where more details on the topic can be found. All documents cited are available on the website 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
			Dividend distribution
			Operating expenses
			Net sales from operations
			Income taxes
	EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Generally speaking, Saipem has implemented a Risk and Opportunity Knowledge Management (ROKM) process targeted at managing the risks and opportunities intrinsic in activities performed by the Company. Specifically, this process is applied on all Saipem projects in all countries and includes, amongst other things, identification of risks associated with environmental legislation and those connected with weather conditions and the features of the area. Although climate change has not been identified as a key risk for Saipem, it is nonetheless taken into consideration, since it can influence Saipem's activities in those countries characterised by extreme and unpredictable weather conditions that could generate effects on operating costs and on the integrity of Company, to say nothing of exposing people to risk.
	EC3	Coverage of the organisation'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 relation to specific practices on the various markets of reference in which Saipem operates, for example North America and Northern Europe, the possibility exists for supplementary forms of social welfare, which ensure a more competitive positioning on the labour market and therefore increase the Company's ability to attract and retain resources.
	EC6	Policy, practices, and proportion of spending on locally-based vendors at significant locations of operations.	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 operations	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 initiatives targeted at host communities broken down according to area of intervention:
			socio-economic development and Local Content
			infrastructure development
			community health
			education
			professional training
			environmental protection and environmental awareness
			culture

Unit of measure	2010	2011	2012	Additional information
€ million	1,627	1,750	2,041	
€ million	12	12	15	
€ million	263	319	330	
€ million	8,231	9,388	9,832	
€ million	11,160	12,593	13,369	
€ million	345	392	393	
				Furthermore, Saipem's activities are carried out in different countries and are subject to different national legislations, such as laws implementing international protocols and conventions on climate change. Such legislation can, therefore, impose restrictions on emissions into the atmosphere, into water and into the soil and can entail the application of very prohibitive operating standards which have an overall impact on project costs. Conversely, since climate change is by now a theme of international importance, it can also represent a business opportunity, in particular as regards the development of new technologies based on efficiency, low environmental impact and the promotion of renewable energy. A 'Renewables and Environment' Business Line within Saipem deals with the development and construction of renewable plants and services. Saipem is also cooperating on research projects for the development of Carbon Capture & Storage (CCS) systems. Further details are available in the 2012 Annual Report in the section 'Risk management'.
€ million	3.608	3.867	5.456*	For employees of Saipem SpA, 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. Further information on employee benefits and seniority bonuses is available in the 2012 Annual Report. * On June 16, 2011 the merger by incorporation of the subsidiary Saipem Energy Services SpA was approved. The accounting and tax effects of this merger were set at January 1, 2012.
%	61	56	52	Saipem contributes to creating growth opportunities for people and companies and for the communities in which it operates. Saipem undertakes to maximise and leverage Local Content, with a view to creating employment opportunities, business skills and local human capital growth. In 2012, out of a total of €9,584,102,194 in orders, excluding €1,781,227,308 for investments in company assets and staff costs, €4,040,916,633 were from local vendors. In 2012, the definition of 'local' became even more stringent to allow for a more realistic vision of Saipem's contribution to the socio-economic development of a country. Orders are considered local only when the supplier is of the same state in which the project is located and in relation to which the order is made.
No.	31,761	33,688	37,285	One of the pillars of Saipem's sustainability strategy is the maximisation of Local Content. Further details of initiatives implemented in 2012 are available in 'Saipem Sustainability 2012', in the section dedicated to Human Resources in the 2012 Annual Report, and in the Sustainability section of the Company website.
%	48	46	42	
€ million	0.375	1.245	0.76	Saipem has developed internal procedures and instruments to ensure effective analysis of the local context, mapping of stakeholders and their needs, and monitoring of initiatives targeted at host communities. Normally, these initiatives are implemented or coordinated by Saipem operating companies, often in conjunction with local entities. In particular, in 2012 Saipem completed a Social Return on Investment (SROI) study, applied to the investment in the new Fabrication Yard in Karimun (Indonesia). Further analysis and details on initiatives implemented in 2012 and the results of the SROI study are available in the document 'Saipem Sustainability 2012'.
€ million	0.252	-	0.421	
€ million	0.087	0.143	0.131	
€ million	0.069	0.213	0.546	
€ million	0.186	0.115	0.167	
€ million	0.025	0.082	0.038	
€ million	0.047	0.100	0.063	

Area	GRI code	GRI description	Saipem Performance Indicator
Economic performance	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Saipem has adopted a tool for assessing the positive effects of externalities generated on local areas by its strategy of maximising Local Content. Known as 'Saipem Externalities Local Content Evaluation' (SELCE), the model takes into account the indirect positive effects on the supply chain and the induced effects generated on society. Furthermore, applying the Social Return on Investment (SROI) methodology, in 2012 Saipem completed a study which analysed the positive and negative impacts of its activities on the areas in which it operates.
Environmental performance	EN1	Materials used by weight or volume	Since Saipem operates as a contractor in the Oil&Gas industry, this indicator is covered only qualitatively, as the use the Company makes of the main raw materials in its operating contexts is dictated by the contract conditions set down 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.
	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 consumed
	EN5	Energy saved due to conservation and efficiency improvements	This indicator is not covered quantitatively. However, various initiatives targeted at energy saving were implemented in 2012. Saipem's increasing focus on energy efficiency is witnessed in the following activities planned: an Energy Performance Assessment in line with ISO 50001 energy management specifications for an office building (to identify critical areas and possible areas for improvement) and a Ship Energy Efficiency Management Plan (SEEMP - MARPOL Annex VI) for the Saipem fleet (drilling rigs excluded).
	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, of which:
			fresh water/from waterworks
			groundwater
			surface water
			sea water
	EN9	Water sources significantly affected by withdrawal of water	In order to identify areas of water risk, Saipem uses a two-step evaluation process. The first of these involves the Global Water Tool, which is implemented after identifying the sites on which operations are taking place. The second step includes assessment of water by taking a sample, evaluating water use and discharge and, finally, examining the treatment plants present. In this way, critical areas are identified for improvement. In 2013, Saipem will carry out a case study on the management of the Company's water resources. This will contain further details on the water sources most affected.
	EN10	Percentage and total volume of water recycled and reused	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	While the Company does not avail of a map of the lands on which it works in protected areas, it nevertheless adopts a policy of biodiversity management on these lands. In the case of areas owned, mainly fabrication yards, Saipem has an impact monitoring system in relation to its own activities, including any possible effects on the biodiversity of the surrounding areas.

Unit of measure	2010	2011	2012	Additional information
				Further analysis and details of the SELCE model and the SROI study, as well as the results obtained, are available in the document 'Saipem Sustainability 2012'.
ktoe	1.1	1.2	1.4	Energy consumption includes the activities of subcontractors operating on Saipem sites who have been supplied directly with fuel by the Company. In 2012, a larger number of activities linked with work on several onshore projects led to an increase in diesel consumption compared to the previous year. The conversion factors used are certified and contained in the corporate environmental reporting methodology.
ktoe	0.4	6.0	3.2	
ktoe	8.9	21.9	8.6	
ktoe	11.3	7.0	24.3	
ktoe	265.5	320.4	386.0	
ktoe	99.0	102.6	129.1	
ktoe	6.5	5.8	5.6	
GWh	83.9	242.8	155.9	In 2012, electricity consumption was down 35%, due to the conclusion of the QAFCO project for which massive quantities were required.
				Further details of the Green PC initiative are given in the chapter 'Environmental protection: delivering a sustainable future' in 'Saipem Sustainability 2012'. Saipem intends to expand this initiative to the main Company office buildings beginning with Saipem sa.
MWh	-	297.3	271.7	The energy in question is produced using photovoltaic panels located entirely in Italy. Further details are available in the chapter 'Environmental protection: delivering a sustainable future' in 'Saipem Sustainability 2012'.
10^3 m^3	6,561.6	7,234.8	8,245.1	The increase in water consumption is due to several projects in areas with a hot climate, such as Algeria, Saudi Arabia and the United Arab Emirates.
10^3 m^3	2,502.4	2,570.8	4,056.8	
10^3 m^3	3,607.0	3,938.8	3,251.8	
10^3 m^3	81.9	86.6	221.3	
10^3 m^3	370.3	638.5	715.1	
				Saipem promotes initiatives targeted at obtaining water savings on projects and operating sites. Initiatives to incentivise the reuse of waste water after treatment are considered particularly important. On June 25, 2012, Saipem organised an environmental workshop at San Donato Milanese to promote the correct management of water resources and to encourage implementation of environmental best practices on projects. Strategies and technologies utilised in the Oil&Gas industry to manage water resources were presented. Further details are available in the chapter 'Environmental protection: delivering a sustainable future' in 'Saipem Sustainability 2012'.
10^3 m^3	-	303.9	1,024.8	The amount rose significantly from 4% in 2011 to 12% in 2012 on account of huge quantities of water employed and reused on some large-scale projects.
%	-	4	12	

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	As regards prevention, Saipem, as a contractor, 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 in the areas where it operates, with the purpose of evaluating and implementing compensatory solutions to maintain the original environment. The potential impacts are strictly related to the specificities of the individual projects.
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	While not 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 promotes the implementation of initiatives targeted at reducing energy consumption and hence GHG emissions. An Energy Performance Assessment was planned for the San Donato Milanese office buildings pursuant to ISO 50001 specifications so as to identify critical areas and propose improvement measures.
	EN20	NO_x, SO_x and other significant air emissions by type and weight	SO_2 emissions
			NO_x emissions
			CO emissions
			PM emissions
			NMVOC emissions
	EN21	Total water discharge by quality and destination	Total waste water produced, of which:
			water discharged into sewage systems
			water discharged into surface water bodies
			water discharged into the sea
			fresh water discharged in another place
	EN22	Total weight of waste by type and disposal method	Total waste produced and disposed, of which:
			hazardous waste disposed of in landfill sites
			incinerated hazardous waste
			recycled hazardous waste
			non-hazardous waste disposed of in landfill sites
			incinerated non-hazardous waste
			recycled non-hazardous waste
	EN23	Total number and volume of significant spills	Total number of spills, of which:
			spills of chemical substances into fresh water
			spills of chemical substances into lakes, marshes or swamps
			spills of chemical substances into the sea
			spills of chemical substances onto land
			spills of oily substances into fresh water
			spills of oily substances into lakes, marshes or swamps
			spills of oily substances into the sea
			spills of oily substances onto land
			Volume of substances spilled, of which:
			chemical substances
			oily substances

Unit of measure	2010	2011	2012	Additional information
				The chapter 'Environmental protection: delivering a sustainable future' in 'Saipem Sustainability 2012' provides several examples of the management of impacts on biodiversity on the Gorgon Project being executed on the Barrow islands on the north-west coast of Australia, and on the Shah-Habshan-Ruwais project for the construction of a railway in the United Arab Emirates.
				Specific actions to protect biodiversity were carried out in 2012. Further details on projects in the Arab Emirates and in Australia are available in the chapter 'Environmental protection: delivering a sustainable future' in 'Saipem Sustainability 2012'.
kt	1,176.5*	1,320.9	1,542.6	In 2012 an awareness campaign was launched on World Environmental Day (WED) to promote environmentally respectful behaviour on the part of employees. The 2012 theme was the reduction of the ecological footprint. Further details are available in the chapter 'Environmental protection: delivering a sustainable future' in 'Saipem Sustainability 2012'. The variation in the quantity of emissions follows that in the consumption of fuels. The emission factors are based on the 'Saipem Emission Estimation Methodology', certified by Bureau Veritas in 2011 and in line with international standards for the calculation of emissions. * Figures for 2010 are calculated using the method previously adopted.
$ktCO_2$ eq	-	120.1	69.7	
				The results obtained from the implementation of improvement measures will be monitored quantitatively. Further details are available in the chapter 'Environmental protection: delivering a sustainable future' in 'Saipem Sustainability 2012'.
kt	3.3	4.0	4.2	
kt	19.0	22.4	26.2	
kt	9.6	9.0	10.7	
kt	-	-	0.7	
kt	-	-	1.0	
10^3 m^3	2,618.6	1,642.0	3,696.3	
10^3 m^3	-	-	400.4	
10^3 m^3	-	-	572.8	
10^3 m^3	-	-	480.3	
10^3 m^3	-	-	2,242.6	
kt	206.4	199.9	257.9	Hazardous waste increased compared to 2010, since, in compliance with local legislation, the waste water from some projects is reported under that category. Non-hazardous waste increased due to the higher amount of construction operations 2012. The figures for 2011 were, however, revised in 2012, and are given here.
kt	12.0	22.3	31.9	
kt	3.9	4.3	5.3	
kt	2.8	4.3	13.9	
kt	165.5	134.6	171.5	
kt	6.0	11.2	4.0	
kt	16.2	23.2	31.3	
No.	55	94	144	* With reference to the period 2010-2012, the data given for volumes of substances spilled is partial, since monitoring of the indicator for all significant operations became functional only from 2011 onwards. All accidents are logged and investigated appropriately in order to establish the causes and identify corrective and preventive measures. With a view to sharing lessons learned, environmental bulletins are issued every quarter along with Group level reports.
No.	-	-	-	
No.	-	-	-	
No.	-	-	3	
No.	-	-	16	
No.	-	-	1	
No.	-	-	-	
No.	-	-	12	
No.	-	-	112	
m^3	73.12*	656.45	5.4	
m^3	-	-	1.6	
m^3	-	-	3.8	

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 Annexes I, II, III and VIII, and percentage of transported waste shipped internationally	Not relevant. Dangerous waste is disposed of locally through a third-party company, with the exception of some waste incinerated on-board several of the main vessels.
	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 cannot 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 2012, Saipem did not receive any significant fine and/or non-monetary sanction for non-compliance with laws and regulations.
	EN30	Total environmental protection expenditures and investments by type	As a contractor, Saipem accounts 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
			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:
			Middle and Senior Manager
			White Collar
			Blue Collar
			employees in non-EU countries
			female employees
			employees on permanent contracts
			employees with full-time open-ended contracts
	LA2	Total number and rate of employee turnover by age group, gender and region	Total workforce increase, of which:
			men
			women
			Termination of employment of critical resources
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, divided according to major operations	Both monetary and in kind benefits are paid to employees independent of their contract type (open-ended or full-time permanent), except for those specific cases which, by their nature, may be incompatible in terms of time with the duration of open-ended contracts.
Industrial relations	LA4	Employees covered by collective bargaining	Out of 40,419 employees monitored in 2012, 19,770 were covered by collective bargaining agreements.
	LA5	Minimum notice period(s) regarding operational changes, specifying whether these conditions are included or not in collective bargaining agreements	For organisational 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. This custom and method of information and consultation derives from a consolidated praxis of industrial relations built over time.

Unit of measure	2010	2011	2012	Additional information
				Further details on supply chain management are available in the chapter 'Building a sustainable supply chain' in 'Saipem Sustainability 2012'.
				Further details on the measures adopted by Saipem to reduce the environmental impact of its vessels, rigs and equipment, and initiatives implemented to ensure safeguarding of the environment during works execution, are discussed in the document 'Saipem Sustainability 2012' in the chapters 'Managing company business for long-lasting success' and 'Environmental protection: delivering a sustainable future', respectively.
€ million	-	19.4	35.4	
€ million	-	31.7	39.7	
€ million	-	2.7	6.7	
No.	41,174	44,232	48,455	Further details on employment are supplied in the 'People' section of this document and in 'Saipem Sustainability 2012'.
No.	5,039	5,137	5,293	
No.	18,413	20,382	22,148	
No.	17,722	18,713	21,014	
No.	30,611	33,822	37,322	
No.	4,439	5,068	5,331	
No.	-	17,679	18,025	
No.	-	-	48,227	
No.	-	-	4,223	
No.	-	-	3,960	
No.	-	-	263	
No.	2,369	2,918	3,541	
%	65	55	48	

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 advise on worker health and safety programmes.	Saipem promotes a culture of health and safety via training and informative initiatives. In compliance with the law or internal praxis, national and company based agreements have been entered into, broken down according to type of intervention: - setting up of workers' health and safety committees (composition and number), compulsory provisions for the use of personal protective equipment; - specific training plans for health and safety operators (officers and workers' representatives) and issuing of widespread information on health and safety themes to all employees; - periodical meetings between the Company and workers' representatives. HSE themes vary according to the laws in force or the collective bargaining agreement applied for the sector. In the absence of legal or contractual stipulations, best practices are defined according to the guidelines of supranational organisations such as the ILO, which are generally applicable to labour, or the IMP, for the maritime sector.
	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
			Occupational illnesses reported
	LA8	Education, training, counselling, prevention, and risk-control programmes are in place to assist workforce members, their families, or community members when facing serious diseases	HSE Training Protocol
			Vaccines administered to employees and subcontractors
			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 of workers' health and safety committees (composition and number); - compulsory provisions for the use of personal protective equipment; - specific training plans for health and safety operators (officers and workers' representatives) and issuing of widespread information on health and safety 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.

Unit of measure	2010	2011	2012	Additional information
				Some Company level negotiations provide for the payment of bonuses linked not just to profitability and productivity indicators, but also to health and safety objectives (i.e. the Safety Frequency Rate). In 2012, an agreement was signed with the workers health, safety and environment representatives in Milan and Fano for the assumption on their part of health and safety competencies on onshore Italian sites as provided for by law. Further details can be found in the chapter 'Health & Safety: key principles in Saipem's operations' in the document 'Saipem Sustainability 2012'.
mln hours	280.98	329.54	321.99	Methodology: - total number of hours worked by Company and subcontractor personnel, including paid overtime and training, within the perimeter of operating sites; - by 'workdays lost' is understood the total number of calendar days during which the person injured was not capable of carrying out his/her duties as a result of an LTI. Calculation of days lost begins from the second day from the day of the accident and continues until the person is fit to return to work; - LTIFR and TRIFR are calculated in millions of man-hours worked, as per the standard applied internationally in the Oil&Gas industry.
No.	6	6	3	
No.	105	96	99	
No.	4,196	4,447	5,625	
No.	480	427	342	
ratio	0.40	0.31	0.32	
	1.71	1.30	1.06	
No.	8	7	7	
No. hours	924,267	1,187,820	1,687,258	HSE training hours comprise the total number of hours reported by individual projects. Policies and several initiatives for the promotion of the health of employees and local communities are described in detail in the chapters 'Health & Safety: key principles in Saipem's operations' and 'Living together with local communities' of the document 'Saipem Sustainability 2012'. Initiatives implemented in 2012 are described in this latter document.
No.	12,450	12,387	9,124	
No.	482,929	585,957	781,401	

Area	GRI code	GRI description	Saipem Performance Indicator
Training and Education	LA10	Average hours of training per year per employee by employee category	Training hours
	LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Saipem bases its business success on the strong technical ability of its vessels and its personnel. Ongoing training and development of skills are fundamental elements in the management and development of people. Saipem manages skills assessment by means of specific mapping of each Company role in terms of objectives, responsibilities and competences, both technical and personal.
			Overall number of Skills Assessments
	LA12	Percentage of employees receiving regular performance and career development reviews	Number of employees undergoing performance assessment
			Managers
			White Collar
			Blue Collar
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
			Women in managerial positions
			Employees under 30 years of age
			of which women:
			Employees aged between 30 and 50
			of which women:
			Employees above 50 years of age
			of which women:
			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 managers
			Managers
			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 recognises 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.

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

Unit of measure	2010	2011	2012	Additional information
hours	-	1,809,753	2,624,610	
No.	-	761	2,605	Specifically, professional skills are monitored and measured using the Skills Evaluation Process, with time frames linked to specific requirements. Currently, this process involves the supervisor evaluating the technical skills of the resource, with reference also to the level of seniority. Support is subsequently provided by an external consultant to complete the personal skills assessment. During this activity, gaps can emerge between the level of skill and know-how required and those possessed by the resource. In such cases, the resource is given the option of undergoing specific training, including on-the-job, classroom or practical training, to increase his/her professional skills. Training is thus a process that covers the entire professional life cycle of the resource, since it is finalised towards covering the role currently held and the one that may be held in the future on the basis of personal development plans targeted at covering project-based and structural needs in both qualitative and quantitative terms.
No.	-	17,220	23,498	
No.	-	-	3,401	
%	-	-	64	
No.	-	-	10,774	
%	-	-	49	
No.	-	-	9,323	
%	-	-	44	
No.	4,439	4,911	5,331	As regards protected categories, Saipem operates in full observance of international conventions and agreements on the protection of human and labour rights, of the legislation of the countries in which it operates and in line with the Company's Code of Ethics. Saipem guarantees equal professional rights and repudiates all forms of discrimination, acting in such a way that everyone enjoys equal legal and remunerative treatment based on merit and competence. In this sense, and with reference to the Italian legal system, in 2012 agreements were entered into with the Public Administration with a view to employing disabled people and hence ensuring a more efficient and rapid point of encounter between the Company and those resources available on the labour market who are in possession of skills and professional abilities that are of interest to Saipem.
No.	-	-	622	
No.	-	-	9,140	
No.	-	-	1,399	
No.	-	-	31,230	
No.	-	-	3,341	
No.	-	-	8,085	
No.	-	-	591	
No.	-	119	124	
				The indicator was calculated as the ratio between the average woman's salary and the average man's salary by job category. The categories to which foreign employees belong were calculated according to the logic of the 'Job Evaluation System'. In 2012, the calculation methodology was changed to align it as much as possible with the international character of Saipem.
%	-	-	79	
%	-	91	90	
%	-	92	89	
%	-	92	128	

Area	GRI code	GRI description	Saipem Performance Indicator
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone assessment	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 Organisation (ILO) 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 vendors 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.
Non-discrimination	HR4	Total number of incidents of discrimination and actions taken	Four reports of alleged discriminatory practices were received. Three of these were closed as unfounded while the fourth is still pending. Improvement and/or corrective actions were nevertheless implemented in two cases (re-employment of the staff member and improvement in the overtime management process).
			Reports of discrimination, of which:
			- founded or partially founded
			- still pending
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 Organisation (ILO) 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 Organisation (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, pay, working hours, discrimination and disciplinary procedures, health and safety. A programme of specific audits was started on some new vendors in China, India, South Korea, Brazil and Turkey.
Child Labour	HR6	Operations identified as being of significant risk for child labour, and measures taken to contribute to the elimination thereof	
Forced and Compulsory Labour	HR7	Operations identified as being of significant risk for forced or compulsory labour, and measures taken to contribute to the elimination thereof	

Unit of measure	2010	2011	2012	Additional information
				Further details can be found in the chapter 'Building a sustainable supply chain' in 'Saipem Sustainability 2012' and in the Code of Ethics.
				Saipem has also commenced on site verification of 19 vendors, with specific reference to labour rights, based on the Fundamental Principles of the ILO and the SA8000 standard. Further details can be found in the chapter 'Building a sustainable supply chain' in 'Saipem Sustainability 2012', in the Code of Ethics and in the Sustainability Policy.
				Further details on the discrimination report management process can be found in the chapter 'Global company, global integrity' in 'Saipem Sustainability 2012'.
No.	-	3	4	Reports received are handled according to the methods described in the Company procedure 'Reports of misdemeanours received by Saipem and its subsidiaries'. It should be noted that the figure for 2011 has been updated in as much as the report that was still pending as of December 31, 2011 was closed and deemed to be unfounded.
No.	-	-	-	
No.	-	-	1	
				Further details on vendor control can be found in the chapter 'Building a sustainable supply chain' in 'Saipem Sustainability 2012'.

Area	GRI code	GRI description	Saipem Performance Indicator
Security Practices	HR8	Percentage of security personnel trained in the organisation'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. Training courses on human rights are currently being designed for Security personnel.
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 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
			- pending
Local Communities	SO1	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 retains possession of 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.
	SO9*	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 or logistics bases. In these cases, Saipem at all times carries out a Socio-Economic Impact Assessment (positive and negative) in order to maximise the benefits for the host communities and minimise any negative effects. An assessment study was carried out in 2012 of the impacts on local communities of the new Offshore Technology and Construction Centre in Guarujá (Brazil).
	SO10*	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 the Company draws up an Action Plan to mitigate and manage these.
Corruption	SO3	Percentage of employees trained in the organisation's anti-corruption policies and procedures	Employees trained in compliance, governance, ethics and anti-corruption
			Hours of training on compliance, governance, ethics and anti-corruption
	SO4	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 implemented on the basis of any violations and the manner in which they were committed.

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

Unit of measure	2010	2011	2012	Additional information
				Further details on activities targeted at ensuring the security of assets and people are available in the chapter 'People, our success driver' in 'Saipem Sustainability 2012'.
				Further details on the report management process can be found in the chapter 'Global company, global integrity' in 'Saipem Sustainability 2012'.
				Further details on activities targeted at ensuring the security of assets and people are available in the chapter 'People, our success driver' in 'Saipem Sustainability 2012'.
No.	-	32	132	
No.	-	2	12	Reports received are handled according to the methods described in the Company procedure 'Reports of misdemeanours received by Saipem and its subsidiaries'. It should be noted that the figure for 2011 has been updated in as much as the report that was still pending as at December 31, 2011 was closed and deemed to be unfounded.
No.	-	1	1	
No.	-	-	5	
				Further analysis and details on initiatives implemented in 2012 are available in the document 'Saipem Sustainability 2012'.
				Further analysis and details on initiatives implemented in 2012 are available in the document 'Saipem Sustainability 2012'.
				Further analysis and details on initiatives implemented in 2012 are available in the document 'Saipem Sustainability 2012'.
No.	-	999	1,050	Training courses are organised on anti-corruption, the Saipem Code of Ethics, Model 231 and other themes to spread awareness among employees in order to prevent cases of non-compliance with the law. These are presented both as e-learning sessions and as workshops. It should be noted that training hours are calculated by counting the average number of hours spent on each type of course. Further details can be found in the chapter 'Global company, global integrity' in 'Saipem Sustainability 2012'.
No.	-	8,400	16,800	
				Further details can be found in the chapter 'Global company, global Integrity' of the document 'Saipem Sustainability 2012' and in the paragraphs 'TSKJ Consortium', 'Algeria' and 'Kuwait' in the 'Legal proceedings' section of the 'Annual Report'.

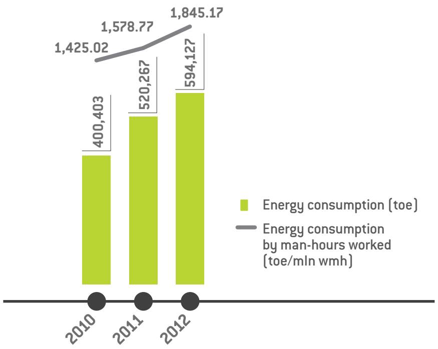
Area	GRI code	GRI description	Saipem Performance Indicator
Public Policy	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Saipem does not make direct or indirect contributions to parties, movements, committees and political organisations, or to their delegates and candidates, except when provided for by specific regulations.
Anti-Competitive Behaviour	SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	As far as the Company is aware, in 2012 Saipem was not served with any legal notices for anti-competitive behaviour and/or anti-trust and monopoly practices.
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	In 2012, Saipem did not receive any significant fine and/or non-monetary sanction for non-compliance with laws and regulations.
Client Health and Safety	PR1	Life cycle stages in which the health and safety impacts of products and services are assessed in order to promote improvement, and percentage of significant product 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 the health and safety impacts of products and services during their life cycle, by type of outcome	Saipem operates at all times in observance of international laws, regulations and 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 services information and labelling, by type of outcome	Not relevant. Saipem supplies products that do not require labelling, and in any case the reference for technical and quality standards are the contract conditions set by the client.
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Customer Satisfaction questionnaires received
			Average client satisfaction score (on a scale of 1 to 10)
			Average client satisfaction score in relation to Sustainability issues (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 outcome	Not relevant. The client is responsible for the product, Saipem only for its realisation.
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 is responsible for the product, Saipem only for its realisation. At any rate, no cases of this type have been recorded.

Unit of measure	2010	2011	2012	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 'Saipem Sustainability 2012').
	53	96	84	
	7.86	7.87	8.09	Saipem has implemented a customer satisfaction assessment system. Further details can be found in the chapter 'Managing our business for long-lasting success' in 'Saipem Sustainability 2012'.
	7.74	7.72	7.74	

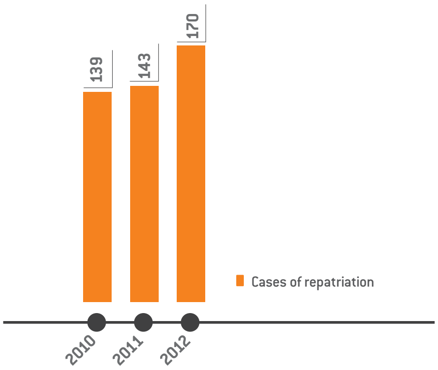
HSE Performance

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 2012, there were 170 such cases, of which 134 Saipem and 36 subcontractor personnel. Of the overall total, 102 people were repatriated for illness and 42 for accidents. 12 cases led to death. The main cause of repatriation was illness of the circulatory system (34 cases) followed by the digestive system.

Supplementary performance indicators

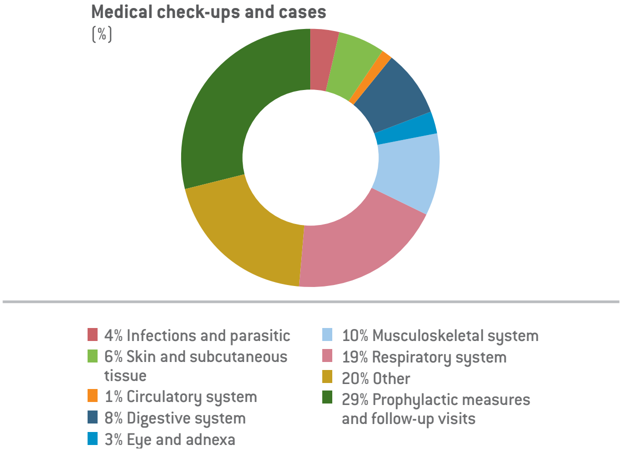
Additional leading indicators for health and safety performance	**2010**	**2011**	**2012**
Tool box talks	482,929	585,957	781,401
HSE meetings	31,283	41,757	45,287

Performance indicators for the Leadership in Health and Safety (LiHS) programme	**2010**	**2011**	**2012**	**Total**
LiHS trained facilitators	26	12	23	61
Workshops held	120	115	130	365
Number of participants in workshops	1,392	1,421	1,643	4,456
Number of 'cascading events'	176	85	148	409
Number of participants in 'cascading events'	6,265	4,958	5,046	16,269
'Five Stars train the trainer'	8	14	3	25
Number of 'Five Stars training' sessions	204	196	248	648
Number of participants in 'Five Stars training' sessions	2,150	2,055	2,336	6,541
Number of 'Leading Behaviour cascading events'		663	237	900
Number of participants in 'Leading Behaviour cascading events'		21,615	8,515	30,130

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.

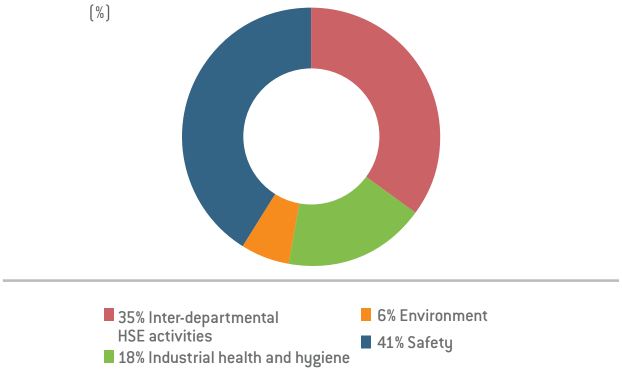
Further details on the LiHS programme are available in the chapter 'Health & Safety: key principles in Saipem's operations' in 'Saipem Sustainability 2012'.

Medical check-ups and cases
(%)



Check-ups are carried out periodically on all operating projects for the benefit of employees. In 2012, 85,361 medical check-ups/cases were recorded, an increase of 13% compared to 2011 (75,464). For the most part, preventive measures were implemented and follow-up check-ups performed (16,814). As regards cases, these were above all of a respiratory nature (16,253), while 368 were due to work-related and non work-related accidents.

HSE costs
(%)



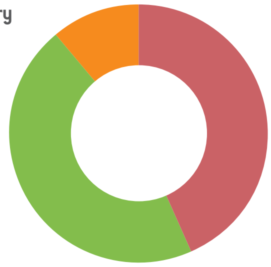
In 2012, HSE expenses amounted to €114 million, of which 9% (€11 million) was for medical personnel.

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

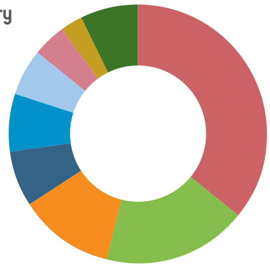
Employees by category
(No.)



- 21,014 Blue Collar
- 22,148 White Collar
- 5,293 Managers and Senior Managers

Out of a total of 48,455 employees, 5,331 (11%) are women, of whom 4% are BlueCollar, 84% White Collar and 12% Managers.

Employees by category
(%)



- 36% Construction
- 18% Engineering
- 12% Drilling
- 7% Quality, Health, Safety and Environment
- 7% Asset Development and Maintenance
- 6% General Support
- 4% Project Management
- 3% Procurement
- 7% Other

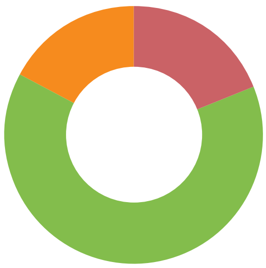
The composition of the workforce by category and professional area denotes the operational character of the Company, with a strong propensity towards productive and engineering professionals in both the Construction and Drilling businesses. Attention to QHSE themes is also reflected in the number of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

International employees by geographical area
(%)

- 22% Americas
- 8% CIS
- 14% Europe
- 17% Middle East
- 16% Oceania and the rest of Asia
- 23% Africa

Out of a total of 40,996 people (Italians not included), most of the workforce is located in the Americas and Africa.

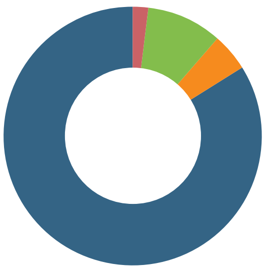
Employee age bands
(%)



- 19% Under 30
- 64% Between 30 and 50
- 17% Above 50

Out of a total of 48,455 employees, 19% are aged under 30 years. In this age group in particular, there are 1,399 female employees, 26% of the total (5,331).

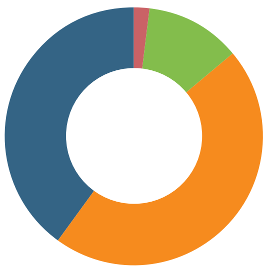
Skills assessments carried out
(%)



- 2% Assessment of managerial skills
- 10% Assessment of potential
- 5% Assessment of skills for experts
- 83% Assessment of technical skills

Out of 2,605 assessments carried out, 83% (2,184) were of technical skills. This figure reflects the technical nature of Saipem's business.

Employees who underwent performance monitoring
(%)



- 2% Senior Managers
- 12% Managers
- 46% White Collar
- 40% Blue Collar

In 2012, a total of 23,498 employee performance assessments were carried out.

Independent Auditor's Report

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Independent auditors' report on the limited assurance engagement of the addendum to the "Annual Report 2012" named "Sustainability Performance" of Saipem Group as of 31st December 2012
(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 2012" of Saipem Group (hereinafter "the 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, Criteria and Principles of Reporting", 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, rather than a reasonable assurance, that the Addendum is free from material misstatements. A limited assurance engagement of the Addendum consists in making inquires, primarily with company's personnel responsible for the preparation of information included in the Addendum, in the analysis of the Addendum and in other procedures in order to obtain evidences considered appropriate. The procedures performed are summarized below:

   a. comparison between the economic and financial information and data included in the Addendum with those included in the Saipem Group consolidated financial statements as of 31st December 2012, on which we issued our auditor's report on 3rd April 2013, pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27th 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;

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- interviews and discussions with Ersai Caspian Contractor LLC's personnel carried out in Aktau (Kazakhstan) and on-site verifications at operations in Kuryk (Kazakhstan);
- analysis, on a sample basis, of the documentation supporting the preparation of the Addendum, in order to obtain evidences of the processes in use, their adequacy and the operation of the internal control system for the correct treatment of data and information in relation to the objectives described in the Addendum;

c. analysis of 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, with reference to the procedures applied;

e. obtaining of the representation letter, signed by the legal representative of Saipem S.p.A., relating to the compliance of the Addendum with the guidelines indicated in paragraph 1, as well as to the reliability and completeness of information and data presented in the Addendum.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 and consequently we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.
With respect to the data and information relating to the prior year, presented for comparative purposes, reference should be made to our report issued on 28th March 2012.

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 2012" of the Saipem Group is not in compliance, in all material respects, with the "Sustainability Reporting Guidelines" issued in 2006 by G.R.I. - Global Reporting Initiative, as described in the paragraph "Methodology, Criteria and Principles of Reporting".

Milan, April 3, 2013

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

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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)

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www.saipem.com

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