SAIPEM

Annual Report 2015

Mission

We approach each challenge with innovative, reliable and secure solutions to meet the needs of our clients. Through multicultural working groups we are able to provide sustainable development for our company and for the communities in which we operate.

Values

Innovation; health, safety and environment; multiculturalism; passion; integrity.

Countries in which Saipem operates

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

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

CIS
Azerbaijan, Georgia, Kazakhstan, Russia, Turkmenistan, Ukraine

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

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

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

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Disclaimer

The Annual Financial report contains forward-looking statements, in particular in the section 'Outlook'. By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent upon circumstances which should or are considered likely to occur in the future and are outside of the Company's control. These include, but are not limited to: monetary exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders' expectations and other changes affecting business conditions.
The final figures may therefore be subject to substantial variation over the forecasts.
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.

Shareholders' Meeting of April 29, 2016
The notice of meeting was published in the daily newspaper Il Sole 24 Ore on March 30, 2016

Letter to the Shareholders

Dear Shareholders,

during 2015 the price of oil, having begun a rapid descent in the latter part of the previous period ($50 a barrel), recovered up to the beginning of May ($70 a barrel) and then endured a further drastic fall at the end of the year to below $40 a barrel.
The causes of this phenomenon are attributable essentially to a change of energy market scenario with an oil supply greater than demand. The phenomenon began in the second half of 2014 with the decision of the OPEC countries not to react to this situation by reducing their own market share. The subsequent decrease in oil prices had a negative impact on oil company investments and those of producer countries who witnessed a significant fall-off in their earnings. In those months, the market, which is seeing the development of increasingly complex projects, has suffered the effects of the new scenario. The main consequences of this situation are the awarding of a limited number of projects and an increasingly rigid negotiating position adopted by clients in recognising change orders and claims which emerge during works execution.
This had an impact in terms of fewer acquisitions of new contracts in 2015 compared to 2014 (down 64%) with a particularly high weighting in Engineering & Construction.
This drastically deteriorated market context had additional effects in the competitive scenario in which Saipem operates, including:
- delays or cancellations of orders in progress, and a more rigid approach of clients during negotiations when dealing with change orders and other changes occurring during project execution;
- an increase of credit risk in certain geographic areas;
- the need to review the operating strategy and to bring forward to the end of 2015 the drafting of a new strategic plan;
- the need to review the strategy of negotiations for pursuing settlements with clients in order to minimise potential legal proceedings and seek an immediate financial benefit;
- the need to act quickly and decisively on the cost structure by launching programmes for optimising operating, overhead and investment costs.

During 2015, Saipem faced a markedly deteriorated scenario by launching an important operating and investment cost optimisation programme, defining the guidelines of the 'Fit for the Future' project, implementing a revision of the items of the balance sheet that takes into account the new context, drafting a new strategic plan, defining a complex financial manoeuvre consisting of a capital increase of €3.5 billion and a refinancing of €3.2 billion needed to consolidate the Company's equity situation and make it financially autonomous. This financial manoeuvre was concluded positively in the first quarter of 2016.
Saipem's operating profit was therefore supported by optimisation actions, such as limiting its presence in certain countries, rationalising engineering and construction capacity, reducing overheads and disposing of obsolete and unprofitable vessels. Taken together, these actions had a positive impact on EBIT in the amount of €150 million.
The year's key figures were:
- adjusted EBIT of -€254 million, which includes a reduction of €718 million through the write-downs in the second quarter of 2015 of contractual variations and claims subject to negotiation regarding contracts awarded over the last few years and the write-down of receivables in Venezuela;
- EBIT of -€452 million, including the write-down of certain assets and two construction yards;
- capital expenditure amounting to €561 million;
- net borrowings amounting to €5,390 million;
- acquisition of new orders in the amount of €6,515 million and a residual portfolio of orders amounting to €15,846 million, affected by the cancellation of the remaining orders of the South Stream contract and the charter agreements of the Scarabeo 5 and Saipem 12000 vessels.

In Offshore Engineering & Construction revenues were down by 4%, with the lower volumes recorded in North and South America offset partly by the greater volumes in Azerbaijan and Kazakhstan. The adjusted operating result (EBIT) amounted to €192 million, a significant worsening if compared with the figure of €435 million of 2014. This was due mainly to the cancellation of the South Stream project and the lower profitability of projects in South America. The 2015 operating result (EBIT) was €54 million following the write-down of some fleet assets and a construction yard for a total of €138 million.
Onshore Engineering & Construction saw revenues down by 26%, primarily through the effect of the write-down of contractual variations and claims under negotiation in relation to various contracts of lower volumes in North America, Australia and Western Africa. Adjusted operating (EBIT) amounted to a loss of €693 million (compared with the figure of -€411 million in 2014). However, the year saw a recovery of margins in the second quarter thanks to a positive contribution from new projects which allowed the Company to break even. 2015 operating (EBIT) amounted to a loss of €742 million, affected by the €49 million write-down of a construction yard.
Drilling operations contributed positively, with an adjusted operating result (EBIT) of €247 million, down from the €441 million recorded in 2014, primarily through the effect of the decreased contribution of the semi-submersible platforms Scarabeo 3 and Scarabeo 4 (Offshore Drilling), which had operated for the whole of 2014, and through the effect of the write-down of a proportion of overdue receivables following the greater country risk of Venezuela, and the costs of the inactivity of vessels in South America during the second part of the year. The operating result (EBIT) amounted to €236 million, including the write-down of the semi-submersible rig Scarabeo 4, sold for scrapping.

In 2015, there were two fatal accidents in Saudi Arabia. In-depth investigations were carried out into these events. The causes were identified and corrective actions are currently being implemented. The LTIFR (Lost Time Injury Frequency Rate) stood at 0.31, slightly up compared to 2014 (0.28), but in reality confirming a multi-annual trend of performance improvement. Attention to health and safety is at all times at the highest levels and awareness raising and training programmes, as well as risk analysis and implementation of prevention and protection measures, have been adopted on all main sites, yards and vessels where Saipem operates.
Capital expenditure in 2015 was €561 million. The primary activities related to the maintenance of the asset base comprising the fleet of vessels for Offshore Engineering & Construction, the class reinstatement of the drillships Saipem 10000, Saipem 12000, Perro Negro 2 and Perro Negro 8, as well as the improvements to and modifications of other onshore drilling rigs destined to operate in Saudi Arabia.
As anticipated, the capital increase of approximately €3.5 billion and the refinancing of the residual debt of €3.2 billion were initiated in the fourth quarter of 2015, and will be completed in the early months of 2016, in order to reinforce the Company's equity structure. Thanks to a solid financial structure, an efficient operating model, and our distinctive expertise, Saipem is now in a strong position to improve profitability, generate cash flow and create value for its shareholders. Contemporaneous with this operation, Eni SpA sold a holding amounting to 12.5% of the share capital of Saipem to Fondo Strategico Italiano SpA; Eni SpA and Fondo Strategico Italiano SpA have stated that the assets related to the governance agreed upon in the inter-company agreement and underwritten by them in relation to the shareholding in Saipem SpA, are directed towards realising joint control over Saipem by Eni SpA and Fondo Strategico Italiano SpA.
Consequently, from January 22, 2016, Saipem is no longer under the direction and coordination of Eni SpA.
In 2016, in a market context showing no signs of recovery, Saipem envisages revenues in excess of €11 billion, a forecast that takes account of the visibility of the activities of the existing portfolio of orders. EBIT is forecast to be in excess of €600 million; net profit is expected at around €300 million. Capital expenditure will amount to €500 million, below the final figure for 2015, thanks to the adoption of measures for optimising and improving efficiency and for reducing net indebtedness, predicted to fall to €1.5 billion at year end 2016.

March 16, 2016

for the Board of Directors

The Chairman
Paolo Andrea Colombo

The Chief Executive Officer (CEO)
Stefano Cao

BOARD OF DIRECTORS[1]

Chairman
Paolo Andrea Colombo

Chief Executive Officer (CEO)
Stefano Cao

Directors
Maria Elena Cappello
Federico Ferro-Luzzi
Francesco Antonio Ferrucci
Guido Guzzetti
Flavia Mazzarella
Nicla Picchi
Stefano Siragusa[6]
Leone Pattofatto[7]

BOARD OF STATUTORY AUDITORS[2]

Chairman
Mario Busso

Statutory Auditors
Anna Gervasoni[3]
Giulia De Martino[4]
Massimo Invernizzi

Alternate auditors
Paolo Sfameni
Maria Francesca Talamonti[5]

External auditor
Reconta Ernst & Young SpA

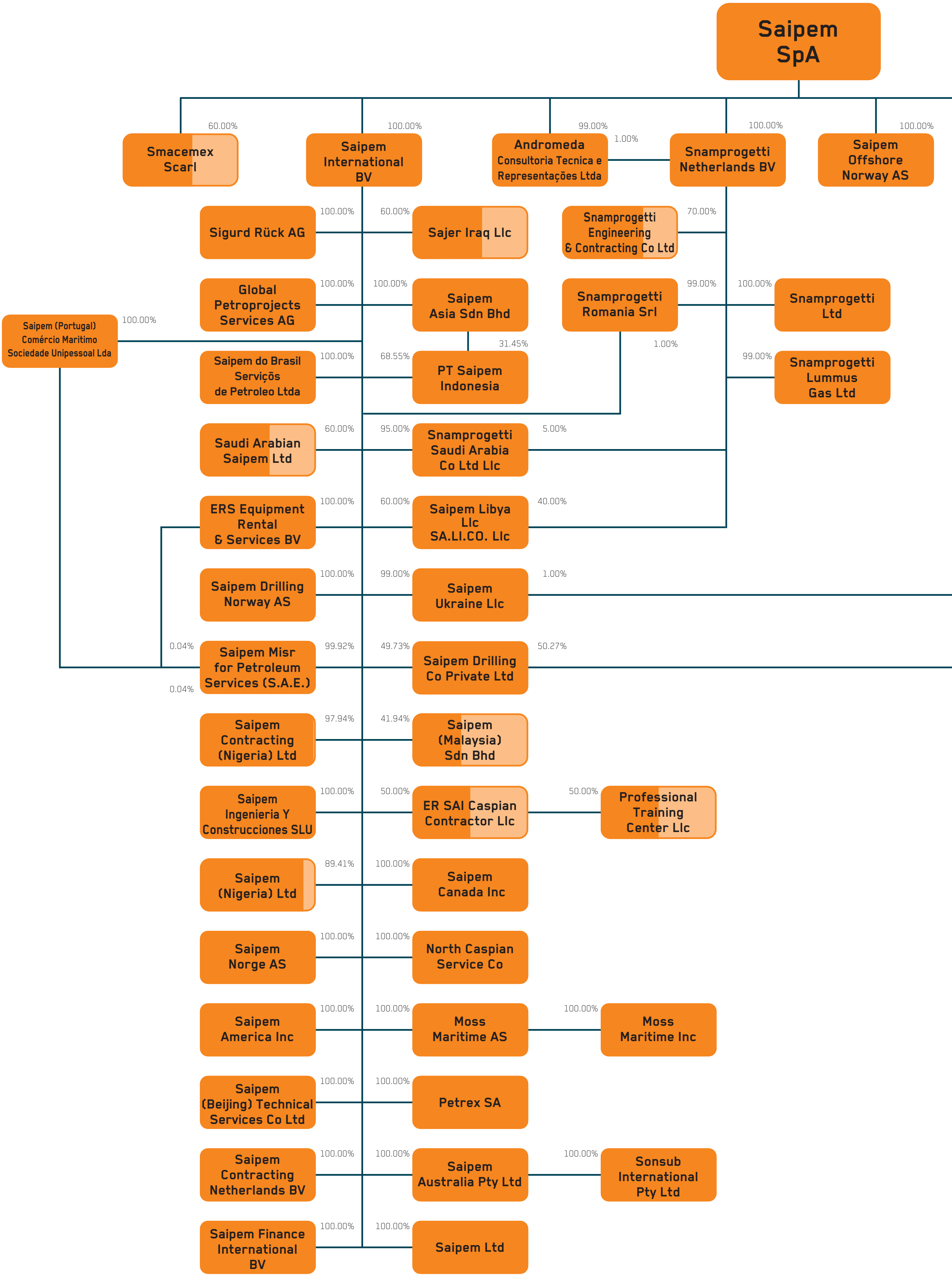
(1) Appointed by resolution of the Shareholders' Meeting of April 30, 2015.
(2) Appointed by resolution of the Shareholders' Meeting of May 6, 2014.
(3) Resigned on October 30, 2015.
(4) Took over as Statutory Auditor on October 30, 2015 and was appointed by resolution of the Shareholders' Meeting of December 2, 2015.
(5) Appointed by resolution of the Shareholders' Meeting of December 2, 2015.
(6) Resigned on January 21, 2016.
(7) Appointed as Director by the Board of Directors on January 21, 2016.

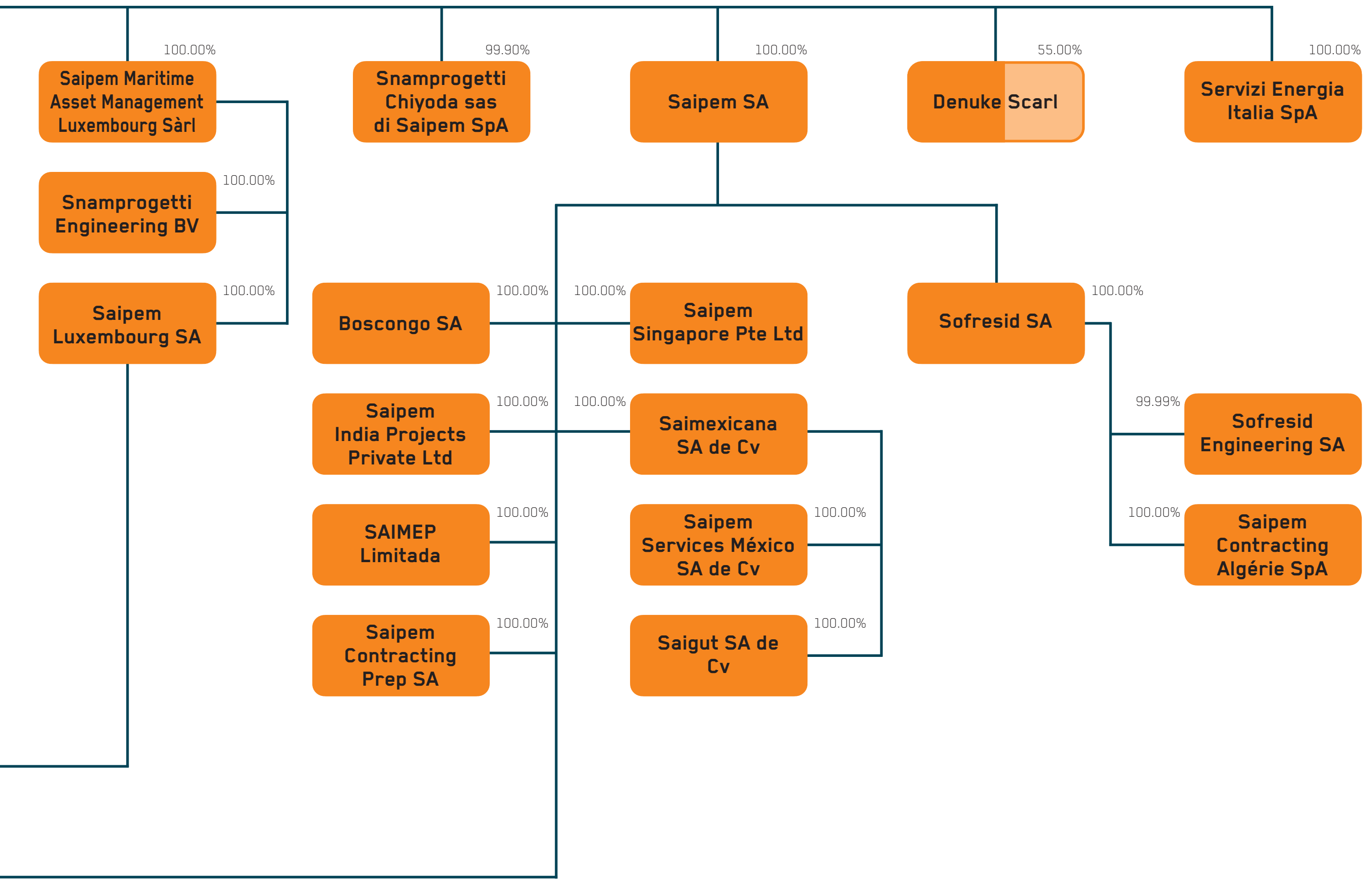
Saipem was until January 22, 2016 subject to the direction and coordination of Eni SpA*

(*) As indicated in the Shareholders' Agreement entered into between Eni and FSI (Fondo Strategico Italiano), as at the effective date of the sale (January 22, 2016) neither Eni nor FSI will have 'sole control over Saipem according to Article 93 TUF (Consolidated Finance Act)'. Furthermore, according to the prospectus published by Eni pursuant to Article 5 of the 'Related parties' Regulation regarding the sale of the Eni holding in Saipem, 'the governance configurations agreed under the Shareholders' Agreement are aimed at realising joint control of Saipem by Eni and FSI.

Saipem Group structure

(subsidiary companies)


Saipem SpA
Smacemex Scarl
60.00%
Saipem International BV
100.00%
Andromeda Consultoria Tecnica e Representações Ltda
99.00%
1.00%
Snamprogetti Netherlands BV
100.00%
Saipem Offshore Norway AS
100.00%
Sigurd Rück AG
100.00%
Sajer Iraq Llc
60.00%
Snamprogetti Engineering & Contracting Co Ltd
70.00%
Global Petroprojects Services AG
100.00%
Saipem Asia Sdn Bhd
100.00%
Snamprogetti Romania Srl
99.00%
Snamprogetti Ltd
100.00%
Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda
100.00%
31.45%
1.00%
Saipem do Brasil Serviçõs de Petroleo Ltda
100.00%
PT Saipem Indonesia
68.55%
Snamprogetti Lummus Gas Ltd
99.00%
Saudi Arabian Saipem Ltd
60.00%
Snamprogetti Saudi Arabia Co Ltd Llc
95.00%
5.00%
ERS Equipment Rental & Services BV
100.00%
Saipem Libya Llc SA.LI.CO. Llc
60.00%
40.00%
Saipem Drilling Norway AS
100.00%
Saipem Ukraine Llc
99.00%
1.00%
0.04%
Saipem Misr for Petroleum Services (S.A.E.)
99.92%
0.04%
Saipem Drilling Co Private Ltd
49.73%
50.27%
Saipem Contracting (Nigeria) Ltd
97.94%
Saipem (Malaysia) Sdn Bhd
41.94%
Saipem Ingenieria Y Construcciones SLU
100.00%
ER SAI Caspian Contractor Llc
50.00%
Professional Training Center Llc
50.00%
Saipem (Nigeria) Ltd
89.41%
Saipem Canada Inc
100.00%
Saipem Norge AS
100.00%
North Caspian Service Co
100.00%
Saipem America Inc
100.00%
Moss Maritime AS
100.00%
Moss Maritime Inc
100.00%
Saipem (Beijing) Technical Services Co Ltd
100.00%
Petrex SA
100.00%
Saipem Contracting Netherlands BV
100.00%
Saipem Australia Pty Ltd
100.00%
Sonsub International Pty Ltd
100.00%
Saipem Finance International BV
100.00%
Saipem Ltd
100.00%



The chart only shows subsidiaries

Directors' Report

Saipem SpA share performance

During 2015, the price of Saipem ordinary shares on the Italian Stock Exchange fell by 14%, from €8.76 on January 2 to €7.53 on December 30. In the same period, the FTSE MIB index, which records the performance of the main Italian stocks, reported a gain of 12%.
The Saipem share began 2015 proceeding along the downward trend which commenced in the middle of the previous year, mainly due to a reduction in oil prices and accentuated by the suspension of the South Stream contract in December 2014. Prices climbed again at the end of January, thus beginning a gradual improvement which was sustained by the positive reaction of the financial community to the results for 2014 presented in mid-February. From April onwards the upward trend in the price of crude contributed to the consolidation of the recovery of Saipem shares and determined a climate of renewed trust in the Company's future prospects, stimulated also by the appointment of the new CEO invested with a three-year mandate.
The end of the suspension of the South Stream contract, notified by the client at the beginning of May, pushed the share price towards its yearly peak of €12.76 on May 13, supported also by the publication of several reports from financial analysts who were more optimistic about the Company's and the industry's prospects.
At the beginning of July, oil prices fell once again, going on a downward spiral that transformed the mood of analysts into one of pessimism. Furthermore, the Company's share price was placed under pressure by two pieces of news that exposed it to speculative attacks involving the whole of the Oil & Gas services industry. These were the announcement on July 6 of a significant worsening of results on the part of important competitors, followed on July 9 by the cancellation for convenience of the South Stream contract.
The disclosure of half-year results at the end of July occurred in a climate of uncertainty regarding the industry's prospects. The drastic fall in oil prices and the deterioration of expected market conditions determined the need to write-down several obsolete assets and the value of some earnings not yet paid by clients but nevertheless on the Company's books. Not even the announcement of the turnaround and cost-cutting plan managed to invert the downward trend of the share price which proceeded apace with the fall in oil prices.
The black Monday of the Shanghai Stock Exchange at the end of August, and the Volkswagen scandal and the end of September, led to turbulence on international markets and strong volatility of the Saipem share, which reached its yearly low of €7.10 on September 29. On October 5, the share price recovered positively, up 10%, pushed by the recovery of crude oil.
On October 28, contemporaneously with publication of the nine-monthly report, the strategic plan was presented, encompassing a capital increase of €3.5 billion, the extraordinary refinancing of the debt and the updating of the four-year plan. The share price reached €8.73 at the close of trading.

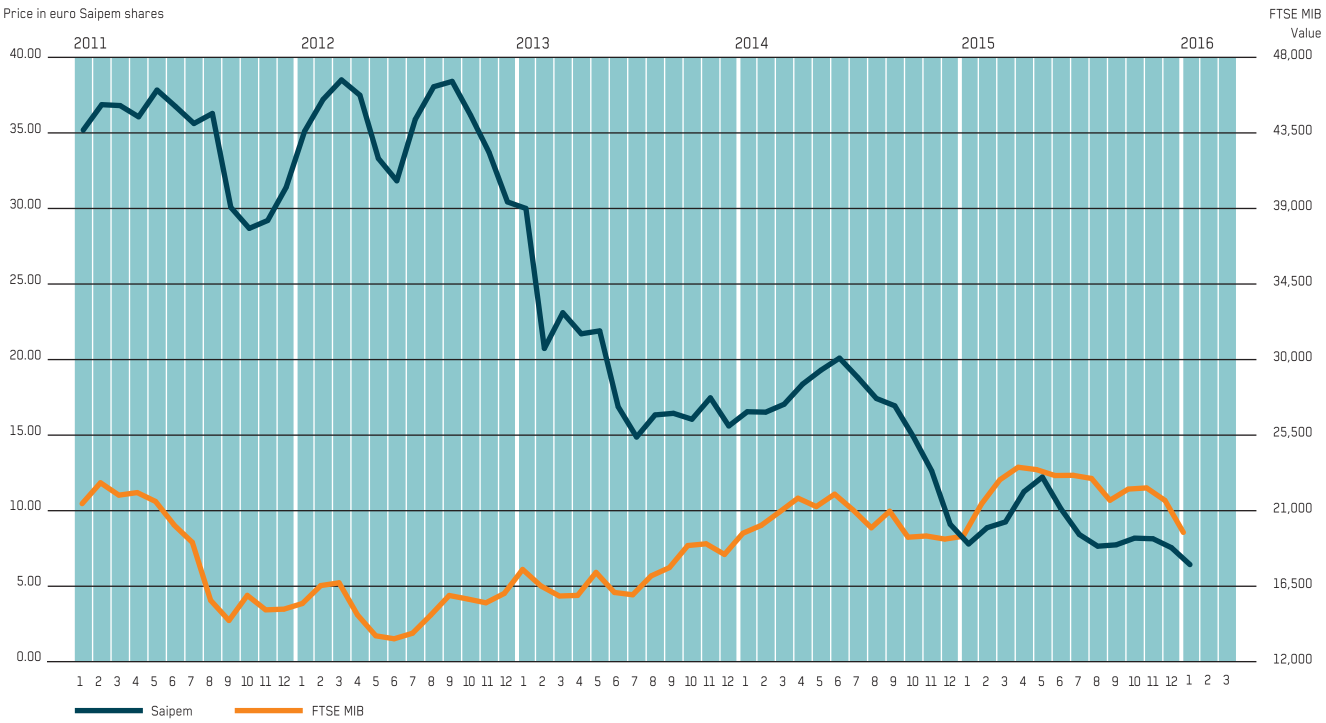
Key Stock Exchange indices and figures		Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015
Share capital	(€)	441,410,900	441,410,900	441,410,900	441,410,900	441,410,900
Number of ordinary shares		441,275,452	441,297,465	441,297,615	441,301,574	441,410,900
Number of savings shares		135,448	113,435	113,285	109,326	109,326
Market capitalisation	(€ million)	14,447	12,983	6,860	3,872	3,324
Gross dividend per share:						
- ordinary shares	(€)	0.70	0.68	-	-	-
- savings shares	(€)	0.73	0.71	0.05	0.05	-
Price/earning ratio per share: (1)						
- ordinary shares	(€)	15.69	14.39	..	..	..
- savings shares	(€)	14.38	17.13	..	..	..
Price/cash flow ratio per share: (1)						
- ordinary shares	(€)	9.24	7.97	12.45	4.18	25.58
- savings shares	(€)	8.47	9.49	13.70	8.59	27.23
Price/adjusted earning ratio per share:						
- ordinary shares	(€)	15.69	14.39	..	21.51	..
- savings shares	(€)	14.38	17.13	..	44.26	..
Price/adjusted cash flow ratio per share:						
- ordinary shares	(€)	9.24	7.97	12.45	4.18	21.58
- savings shares	(€)	8.47	9.49	13.70	8.59	27.23

(1) Figures pertain to the consolidated financial statements.

In the last two months of the year, the price of oil continued to plummet, its value slashed by about one quarter (Brent reached $37 a barrel), dragging with it the prices of oil industry shares, including Saipem's, which closed the year at €7.53.
On April 30, the Saipem Board of Directors approved the payment of a preferential dividend of €0.05 per share on savings shares only, in accordance with the limit of 5% of the nominal value of the share, pursuant to Article 6 of the Articles of Association.
On January 20, 2016, Saipem announced to the market the launch of a capital increase. On January 22, the last day of trading before the beginning of the trading of rights, the technical adjustment to the weight of ordinary Saipem shares on the FTSE MIB index unleashed automatic sell orders on the part of funds, which passively replicated the index in proximity to the close of trading, causing a dislocation of the share price to €4.20, a loss of 20% in just one day.
Saipem's market capitalisation at the end of the year was approximately €3.3 billion. In terms of share liquidity, shares traded during the year totalled approximately 1.7 billion, versus the 951 million registered in 2014, with a daily average for the period of approximately 6.8 million of shares traded (3.8 million in 2014). The value of shares traded amounted to just below €16 billion, compared with €14 billion in 2014.
The price of savings shares, which are convertible at par with ordinary shares, and are of limited number (109,326 at December 31, 2015), decreased by 47% over the year, closing at €9.50 at December 31, 2015.

Share prices on the Milan Stock Exchange (€)	**2011**	**2012**	**2013**	**2014**	**2015**
Ordinary shares:					
- maximum	38.60	39.78	32.18	20.89	12.76
- minimum	23.77	29.07	12.60	8.31	7.10
- average	33.89	35.52	19.31	16.59	9.00
- year end	32.73	29.41	15.54	8.77	7.53
Savings shares:					
- maximum	39.25	39.40	35.00	20.99	18.05
- minimum	30.00	30.00	16.00	16.22	9.50
- average	34.89	34.72	24.50	18.58	15.70
- year end	30.00	35.00	17.10	18.05	9.50

Saipem and FTSE MIB - Average monthly prices January 2011-March 2016



Glossary

Financial terms

- **Adjusted operating result/adjusted net result** operating result/net result adjusted to exclude special items.
- **EBIT** (earnings before interest and tax).
- **EBITDA** (earnings before interest, taxes, depreciation and amortisation).
- **IFRS** International Financial Reporting Standards. Accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Commission. They comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretations Committee (SIC) adopted by the IASB. The name International Financial Reporting Standards (IFRS) has been adopted by the IASB for standards issued after May 2003. The standards issued previously continue to be under the IAS name.
- **Leverage** measures a company's level of indebtedness, calculated as the ratio between net borrowings and shareholders' equity including minority interest.
- **OECD** Organisation for Economic Cooperation and Development.
- **ROACE** (Return On Average Capital Employed), calculated as the ratio between the net result before minority interest, plus net finance charges on net borrowings less the related tax effect and net average capital employed.
- **Special items** items of income arising from events or transactions that are non-recurring or that are not considered to be representative of the ordinary course of business.
- **Write off** cancellation or reduction of the value of an asset.

Operational terms

- **Buckle detection** system that utilises electromagnetic waves during pipelaying to signal collapse of or deformations to pipeline laid.
- **Bundles** bundles of cables.
- **Carbon Capture and Storage** technology which enables the carbon present in gaseous effluents from hydrocarbon combustion and treatment plants to be captured and stored over long periods of time in underground geological formations, thus reducing or eliminating 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. It is performed at the end of the useful life of the plant or vessel following an incident, for technical or financial reasons, for safety or environmental reasons.
- **Deep waters** water depths of over 500 metres.
- **Downstream** all operations that follow exploration and production operations in the oil sector.
- **Drillship** vessel capable of self-propulsion, designed to carry out drilling operations in deep waters.
- **Dry-tree** wellhead located above the water on a floating production platform.
- **Dynamic Positioned Heavy Lifting Vessel** vessel equipped with a heavy-lift crane, capable of holding a precise position through the use of thrusters, thereby counteracting the force of the wind, sea, current, etc.
- **EPC** (Engineering, Procurement, Construction) a type of contract typical of the Onshore Engineering & Construction sector, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' is used to indicate that the system is delivered to the client ready for operations, i.e. already commissioned.
- **EPCI** (Engineering, Procurement, Construction, Installation) type of contract typical of the Offshore Engineering & 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.
- **Facility** 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 specific vessel transports the module, positions itself in the area within the support points, changes its balance by acting on the ballast caissons and while lowering positions the module onto the supports. Once the module is in contact with the supports, the vessel

disconnects and the module is subsequently secured to the support structure.
- **Flowline** pipeline used to connect individual wells to a manifold or to gathering and processing facilities.
- **FPSO vessel** Floating Production, Storage and Offloading system comprising a large tanker equipped with a high-capacity production facility. This system, moored at the bow to maintain a geo-stationary position, is effectively a temporarily fixed platform that uses risers to connect the subsea wellheads to the on-board processing, storage and offloading systems.
- **FSRU** (Floating Storage Re-gassification 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.
- **Hydrocracking** 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 type of pipelaying is suitable for deep waters.
- **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. The lessee has the option to purchase the FPSO on the expiry of the agreement.
- **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 is equivalent 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) series of inspections and tests used to detect structural defects conducted using methods that do not alter the material under inspection.
- **NDT Phased Array** non-destructive testing method that employs ultrasound to detect structural or welding defects.
- **Offshore/Onshore** the term offshore indicates a portion of open sea and, by extension, the activities carried out in this area, while onshore refers to land operations.
- **Oil Services Industry** companies that provide services to the oil exploration and production sector but which are not directly engaged themselves in oil production.
- **Pig** piece of equipment used to clean, descale and survey a pipeline internally.
- **Piggy back pipeline** small-diameter pipeline, fixed to a larger pipeline, used to transport a product other than that of the main line.
- **Pile** long and heavy steel pylon driven into the seabed. A system of piles is used as the foundation for anchoring a fixed platform or other offshore structures.
- **Pipe-in-pipe** subsea pipeline system comprising 2 coaxial pipes, used to transport hot fluids (Oil & Gas). The internal pipe has the function of transporting the fluid. The space between the two pipes is insulated to reduce heat exchange with the external environment. The external pipe provides mechanical protection from the pressure of the water.
- **Pipe-in-pipe forged end** forged end of a coaxial double pipe.
- **Pipelayer** vessel used for subsea pipelaying.
- **Pipelines** pipes and auxiliary equipment used principally for transporting crude oil, oil products and natural gas to the point of delivery.
- **Pipe Tracking System** (PTS) an electronic system used to ensure the full traceability of the components of subsea pipes installed on a project.
- **Piping and Instrumentation Diagram** (P&ID) diagram showing all plant equipment, piping and instrumentation with associated shut-down and safety valves.
- **Pre-commissioning** phase comprising pipeline clean-out and drying.
- **Pre-drilling template** support structure for a drilling platform.
- **Pre-Salt layer** geological formation present on the continental shelves offshore Brazil and Africa.
- **Pre Travel Counselling** health and medical advice designed to take into account the health of the individual worker and ensure that he/she is furnished with adequate information on the specific risks present in his/her country of destination and the preventive measures that should be adopted.
- **Pulling** minor operations on oil wells for maintenance or marginal replacements.
- **QHSE** Quality, Health, Safety, Environment.
- **Rig** drilling installation comprising the derrick, the drill deck (which supports the derrick), and ancillary installations that enable the descent, ascent and rotation of the drill unit, as well as mud extraction.
- **Riser** manifold connecting the subsea wellhead to the surface.

- **ROV** (Remotely Operated Vehicle) unmanned vehicle, piloted and powered via umbilical, used for subsea surveys and operations.
- **Shale gas** unconventional gas extracted from shale deposits.
- **Shallow 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 of steel, making the pipe configuration resemble the letter 'S', with one end on the seabed and the other under tension on-board the ship. This configuration is suited to medium to shallow-water pipelaying.
- **Slug catcher** equipment for the purification of gas.
- **Sour water** water containing dissolved pollutants.
- **Spar** floating production system, anchored to the seabed by means of a semi-rigid mooring system, comprising a vertical cylindrical hull supporting the platform structure.
- **Spare capacity** relationship between crude oil production and production capacity, i.e. quantity of oil which is not currently needed to meet demand.
- **Spool** connection between a subsea pipeline and the platform riser, or between the terminations of two pipelines.
- **Spoolsep** unit used to separate water from oil as part of the crude oil treatment process.
- **Stripping** process through which volatile compounds are removed from the liquid solution or the solid mass in which they have been diluted.
- **Subsea processing** operations performed in offshore oil and/or natural gas field developments, especially relating to the equipment and technology employed for the extraction, treatment and transportation of oil or gas below sea level.
- **Subsea tiebacks** lines connecting new oil fields with existing fixed or floating facilities.
- **Subsea treatment** a new process for the development of marginal fields. The system involves the injection and treatment of sea-water directly on the seabed.
- **SURF** (Subsea, Umbilicals, Risers, Flowlines) facilities, pipelines and equipment connecting the well or subsea system to a floating unit.
- **Tandem Offloading** method used for the transfer of liquids (oil or LNG) between two offshore units in a line via aerial, floating or subsea lines (unlike side-by-side offloading, where the two units are positioned next to each other).
- **Tar sands** mixture of clay, sand, mud, water and bitumen. The tar is made up primarily of high molecular weight hydrocarbons and can be transformed into various petroleum products.
- **Template** rigid and modular subsea structure where the oilfield well-heads are located.
- **Tender Assisted Drilling unit** (TAD) an offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructures.
- **Tendons** pulling cables used on tension leg platforms to ensure platform stability during operations.
- **Tension Leg Platform** (TLP) fixed-type floating platform held in position by a system of tendons and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.
- **Tie-in** connection between a production line and a subsea wellhead or simply a connection between two pipeline sections.
- **Tight oil** oil 'trapped' in liquid form deep below the earth's surface in low permeability rock formations, which it is difficult to extract using conventional methods.
- **Topside** portion of a platform above the jacket.
- **Train** series of units that achieve a complex refining, petrochemical, liquefaction or natural gas regasification process. A plant can be made up of one or more trains of equal capacity operating in parallel.
- **Trenching** burying of offshore or onshore pipelines.
- **Trunkline** oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals.
- **Umbilical** flexible connecting sheath, containing flexible pipes and cables.
- **Upstream** relating to exploration and production operations.
- **Vacuum** second stage of oil distillation.
- **Wellhead** fixed structure separating the well from the outside environment.
- **Wellhead Barge** (WHB) vessel equipped for drilling, workover and production (partial or total) operations, connected to process and/or storage plants.
- **Workover** major maintenance operation on a well or replacement of subsea equipment used to transport the oil to the surface.

Operating review

Market context

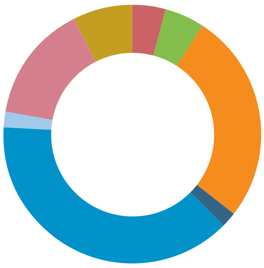
The 2015 period was marked as a year of significant change in the size of the market, accompanied by a notable reduction of investment by Oil Companies.
The sector was influenced further by the imbalance between the supply and demand of oil which caused the fall in the oil price (Brent saw an annual average just higher than $50 a barrel). The phenomenon which began in the final months of 2014 with the decision of the OPEC (Organisation of Petroleum Exporting Countries) countries not to influence the market by reducing their market share, extended throughout 2015 because of world demand being below expectations, the slowdown in the growth of the Chinese economy and the maintenance of North American production.
The market, which is seeing the development of increasingly complex projects, has suffered the effects of the new scenario. The main consequences of this situation are the awarding of a limited number of projects and an increasingly rigid negotiating position adopted by clients who are reluctant to recognise change orders and claims which emerge during works execution.

New contracts and backlog

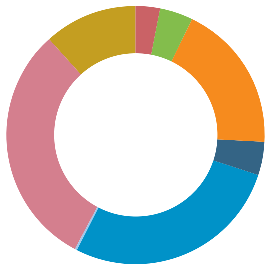
Saipem Group - New contracts awarded during the year ended December 31	2014		2015	
(€ million)	Amount	%	Amount	%
Saipem SpA	5,729	32	2,243	34
Group companies	12,242	68	4,272	66
Total	**17,971**	**100**	**6,515**	**100**
Offshore Engineering & Construction	10,043	56	4,479	69
Onshore Engineering & Construction	6,354	36	1,386	21
Offshore Drilling	722	4	234	4
Onshore Drilling	852	4	416	6
Total	**17,971**	**100**	**6,515**	**100**
Italy	529	3	279	4
Outside Italy	17,442	97	6,236	96
Total	**17,971**	**100**	**6,515**	**100**
Eni Group	1,434	8	507	8
Third parties	16,537	92	6,008	92
Total	**17,971**	**100**	**6,515**	**100**

New contracts awarded to the Saipem Group in 2015 amounted to €6,515 million (€17,971 million in 2014).
69% of all contracts awarded were in the Offshore Engineering & Construction sector, 21% in the Onshore Engineering & Construction sector, 4% in the Offshore Drilling sector and 6% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 96% and contracts awarded by Eni Group companies 8% of the overall figure. Acquisitions of the parent company Saipem SpA amounted to 34% of the total.
The backlog of the Saipem Group as at December 31, 2015 stood at €15,846 million.

New contracts by geographic area
(€6,515 million)



Backlog by geographic area
(€15,846 million)



The breakdown of the backlog by sector is as follows: 47% in the Offshore Engineering & Construction sector, 34% in the Onshore Engineering & Construction sector, 13% in Offshore Drilling and 6% in Onshore Drilling.

97% of orders are on behalf of overseas clients, while orders from Eni Group companies represent 11% of the overall backlog. The parent company Saipem SpA accounted for 34% of the total order backlog.

Saipem Group - Backlog as at December 31	2014		2015	
(€ million)	Amount	%	Amount	%
Saipem SpA	7,167	32	5,386	34
Group companies	14,980	68	10,460	66
Total	22,147	100	15,846	100
Offshore Engineering & Construction	11,161	51	7,518	47
Onshore Engineering & Construction	6,703	30	5,301	34
Offshore Drilling	2,920	13	2,010	13
Onshore Drilling	1,363	6	1,017	6
Total	22,147	100	15,846	100
Italy	689	3	496	3
Outside Italy	21,458	97	15,350	97
Total	22,147	100	15,846	100
Eni Group	2,458	11	1,736	11
Third parties	19,689	89	14,110	89
Total	22,147	100	15,846	100

Capital expenditure

Capital expenditure in 2015 amounted to €561 million (€694 million in 2014) and included:
- €168 million in the Offshore Engineering & Construction sector, relating mainly to the maintenance and upgrading of the existing asset base;
- €36 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and the maintenance of existing assets;
- €247 million for Onshore Drilling, relating primarily to the class reinstatement of the drillships Saipem 10000 and Saipem 12000, the jack-up rigs Perro Negro 2, Perro Negro 8 and Perro Negro 5 (in the latter case the reinstatement works began near the end of the period and will conclude in the first quarter of 2016), as well as the maintenance and upgrading of the existing vessels;
- €110 million in the Onshore Drilling sector, relating to upgrading of the existing asset base.

To summarise, the investment for the 2015 period can be divided up as follows:

Capital expenditure	**2014**	**2015**
(€ million)		
Saipem SpA	117	102
Other Group companies	577	459
Total	**694**	**561**
Offshore Engineering & Construction	260	168
Onshore Engineering & Construction	55	36
Offshore Drilling	180	247
Onshore Drilling	199	110
Total	**694**	**561**

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

Offshore Engineering & Construction

General overview

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

The latest addition to the fleet is the Castorone – a 330-metre long, 39-metre wide mono-hull pipelay vessel equipped with a class 3 dynamic positioning (DP) system, an S-lay system and features allowing for the installation of a J-lay tower.
The Castorone was designed for the most challenging pipelay projects in terms of pipelines of large diameters and depths, but is flexible and productive enough to be used effectively even on less complex projects. The vessel's distinctive features include a class 3 DP system, the capacity to fabricate and lay triple joint pipes of up to 48" in diameter (60" including coating) with a tensioning capacity of up to 750 tonnes (up to 1,500 tonnes in conditions of pipe flooding using a special patented clamp), a highly automated firing line made up of 7 workstations (3 welding and 4 completion/inspection stations), an articulated stinger for pipelaying in shallow and deep-water with an advanced control system, and the capacity to operate in extreme environments (Ice Class A0) are just some of the most distinctive characteristics of the vessel.

The current trend for deep-water field developments continues to drive the success of the FDS 2.
The FDS 2 is a 183-metre long, 32-metre 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 suited to even the most challenging of deep-water projects.
Saipem's fleet of technologically advanced vessels also includes the Saipem 7000, which is equipped with a dynamic positioning system, has a 14,000-tonne lifting capacity, is capable of laying subsea pipelines in ultra-deep waters using the J-lay system and can handle a suspended load of up to 1,450 tonnes during pipelay operations. The fleet further comprises the Castoro Sei, a semi-submersible pipelay vessel capable of laying large diameter subsea pipelines, the Field Development Ship (FDS), which is a special purpose vessel used in the development of deep-water fields, equipped with a dynamic positioning system, a 600-tonne lifting capacity crane and a vertical pipelaying system capable of operating in water depths of over 2,000 metres and the Saipem 3000, which is capable of laying flexible pipelines and installing umbilicals and mooring systems in deep-waters and installing subsea structures of up to 2,200 tonnes.

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

Saipem also enjoys a strong position in the subsea market, thanks to its use of highly sophisticated technologies, such as subsea ROVs and specially equipped robots capable of carrying out complex deep-water pipeline operations.
Finally, the Company is also active in the Leased FPSO sector, with a fleet comprising the Cidade de Vitoria, and the Gimboa, operating in Brazil and Angola, respectively.

The review of Saipem's competitive position in a markedly deteriorated scenario has led to the rationalisation of a fabrication yard and the divestment of vessels with very few prospects for use (S355 divested on November 10, 2015, Castoro Sette on December 22, 2015 and Saibos 230 awaiting divestment). As a result of the revision of the depreciation schedule at December 31, 2014, the vessel Semac 1 was sold for scrapping.

Market conditions

2015 saw the effects of an international macroeconomic framework characterised by the progressive fall in the prices of raw materials and the crisis of the financial markets, aggravated further by the slowdown in the Chinese economy. The real growth in global GDP in 2015 was below 3%, compared to 2014.
In terms of oil company spending, 2015 was marked by an overall diminution, particularly evident in North America, of exploration and production activities. A further decrease is forecast for 2016, albeit of smaller dimensions.
In the Offshore Engineering & Construction market, there is a general contraction of activities which has had a transversal impact on all sectors. In geographical terms, the Middle East, as the only exception, witnessed a slight growth in the reporting period, reaffirming itself as one of the most stable areas in terms of investment. In West Africa, despite the delays in several projects, among which Bonga SW (Shell) and Cameia (Cobalt), some significant activities were recorded, such as the Greater Jubilee (Tullow Oil) project, presented at the end of 2015. Europe is the region which has witnessed the biggest slowdown in demand. The fall in the price scenario and the technical complexity

required in the execution of projects in this area has led to a need to review the development of several fields. The current downturn has also hit the deep water segment, where, despite the efficiency and optimisation projects undertaken by the main market actors, several operators have decided to put off various projects still in pre-FID phase.
In the changed competitive context, some contractors have forged alliances and partnerships, especially in the Subsea Field Development sector, with a view to finding synergies in order to reduce field development costs and offer integrated solutions. Noteworthy in this regard are the ones between Saipem and Aker Solutions, Technip and FMC Technologies, Subsea 7 and OneSubsea and, finally, Chiyoda and Emas.
Among the most important projects in terms of complexity and size is Johan Sverdrup (Statoil), one of the largest discoveries in the North Sea over the last few years, the Culzean (Maersk Oil) high-temperature/high-pressure gas field, Appomattox (Shell) which will deploy one of the largest floating platforms in the Gulf of Mexico, and Stampede (Hess).
In the framework of subsea developments, 2015 ended with a slight reduction in installations compared to 2014: West Africa, North Europe, the Gulf of Mexico and South America has historical driven this sector with their projects, some of which, like Goliat (Eni) in Norway, are nearing completion.
In the pipelaying segment, a general contraction can be noted, caused by the high number of projects cancelled or postponed, especially in Asia-Pacific, while in the Black Sea the cancellation of the South Stream project has weighed heavily. As regards small-diameter pipes, the fall-off has been less sustained, still concentrated in Asia-Pacific and particularly evident in the shallow water sector.
In 2015, the number of fixed platforms installed was lower than the previous year, as a consequence of the slowdown in topside fabrication activities recorded globally over the last few years.
The number of FPSO installations in 2015 remained low given the extreme vulnerability of these major projects to the weakness of the price of crude, which has made them even more challenging from the economic perspective and subject to intense revisions. Furthermore, one of the major operators in the sector, Petrobras, has announced significant reductions in investment plans, which will therefore lead to fewer orders for new units. Other operators, too, such as Petronas and Premier Oil, have spread out their programmes in this area. In 2015, only three FPSOs were ordered, all conversions: Sankofa in Ghana, South Pars in Iran and Ophir in Malaysia. Numerous projects have difficulty overcoming the Final Investment Decision (FID) stage, such as Cameia and Chissonga in Angola, Gendalo-Gehem in Indonesia and Castberg in the Barents Sea, for which the investment decision should arrive at the end of 2017.
The end of 2015 was positive for FLNG projects, especially in Africa: Perenco has reached FID for the Kribi project in Cameroon, thus becoming the first project awarded since the beginning of 2014, and Eni has selected the contractors for the realisation of the FLNG ship for the Coral project in Mozambique. The FID for Ophir Energy's Fortuna FLNG project in the waters of Equatorial Guinea is expected in mid-2016. Other FLNG initiatives have encountered several obstacles in the award process. Given the scale of the Browse project in Australia, three awards in distinct phases are probable; Abadi in Indonesia is still in feasibility study phase, while in Canada the FID for Douglas Channel is subject to delays due to customs and excise restrictions.

New contracts

The most significant contracts awarded to the Group in 2015 were:
- for North Caspian Operating Co (NCOC), a contract for the construction of two 95 kilometre pipelines, which will connect D island in the Caspian Sea to the Karabatan onshore plant in Kazakhstan. The scope of work includes the engineering, the procurement of the welding materials, the conversion and the preparation of vessels, the dredging, the installation, the burial and the pre-commissioning of the two pipelines. Construction work will be completed by the end of 2016;
- for Saudi Aramco, in the framework of the Long Term Agreement, recently renewed to 2021, the EPC contract in Saudi Arabia for the engineering, procurement, fabrication, transport and installation of new offshore facilities, three production modules, about 5 km of pipeline and subsea cables;
- for the Kuwait National Petroleum Corp (KNPC), in the framework of the construction of the new Al-Zour (NRP - Al-Zour New Refinery Project) refinery, Package 5, in joint venture with Hyundai Engineering & Construction and SK Engineering & Construction. The project encompasses the design, procurement, construction, pre-commissioning and assistance during commissioning tests, start-up and performance check for solid object management pier, pelletisation and transportation of sulphur, subsea discharge lines, a construction port zone, an offshore island and a small naval port;
- for Eni, the East Hub Development contract in block 15/06 in Angola. The contract encompasses the supply of 5 flexible manifolds and 20 km of rigid pipeline, as well as the installation of subsea facilities that include umbilical sections, tie-in tube sections with connectors and 14 multiple termination manifolds;
- for Saudi Aramco, an EPCI contract that includes engineering, procurement, transport and installation of a monitoring platform, a wellhead production module, auxiliary platforms and a pipeline;
- for Statoil, in the framework of the Johan Svenrdup Export Pipelines project, a contract for the installation of a gas pipeline for the Kårstø treatment centre and oil pipeline for the

Mongsrad refinery. The works will be carried out by the Castorone vessel;
- for PAS Panama International Terminal SA, in joint venture with Jan De Nul, an engineering, procurement and construction contract for the expansion of the International Terminal at the entrance to the Panama Canal.

Capital expenditure

Capital expenditure in the Offshore Engineering & Construction sector mainly related to the maintenance and upgrading of the existing vessels.

Work performed

The biggest and most important projects underway or completed during 2015 were as follows.

In Saudi Arabia, for Saudi Aramco:
- under the **Long Term Agreement**, which encompasses the engineering, procurement, construction, transport and installation of structures, platforms and pipelines, construction of five new platforms, pipelines and subsea cables was completed. A 3,200 tonne deck is nearing completion and maintenance work is underway on existing offshore platforms;
- installation work is almost completed on the **Al Wasit Gas Program** for the development of the Arabiyah and Hasbah offshore fields. The contract encompasses the engineering, procurement, construction and installation of 15 fixed platforms, an export pipeline, offshore lines, and subsea and control cables. Operations are also completed 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;
- work is progressing on the **Marjan Zuluf** contract for the engineering, procurement, fabrication, transport and installation of new offshore facilities, including three platforms, three jackets and associated pipelines and subsea cables.

Engineering, procurement and fabrication works are completed for Eni Muara in Indonesia and fabrication activities continue on the **Jangrik** EPCI project. The scope of work includes engineering, procurement, fabrication of the FPU and the installation of a mooring system, as well as hook-up, commissioning and assistance to the start-up.

Pipelaying work is fully 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 completed for ExxonMobil, in Angola, on the **Kizomba Satellite Phase 2** project at the yards in Soyo and Ambriz. The scope of work included engineering, procurement, fabrication and installation of production and water injection pipelines and flowlines, rigid jumpers and other related subsea structures;
- work has been completed for Eni Congo, in Congo, on a contract encompassing the engineering, procurement, fabrication and transportation of the **Litchendjili** jacket, piles and related appurtenances;
- work is almost completed for Total Exploration and Production on the **GirRI (Girassol Resources Initiatives)** contract, in Block 17 in Angola, which encompasses engineering, procurement, fabrication, installation and commissioning of changes to the topside of the pumping system on the FPSOs Girassol and Dalia;
- work is almost completed for Cabinda Gulf Oil Co Ltd (CABGOC) on the fourth and fifth installation campaigns of the **Congo River Crossing Pipeline** project in Angola, which comprises engineering, procurement, fabrication and the installation of three subsea pipelines and subsea spools, as well as trenching and crossing works. The project is being carried out off the coasts of Angola and the Democratic Republic of the Congo;
- for Total, in Angola, engineering and procurement activities are completed, and work on the conversion of the hulls and fabrication of topsides modules is underway on the **Kaombo** EPCI project, which encompasses engineering, procurement and commissioning of two FPSO vessels;
- fabrication work is underway for Total Upstream Nigeria Ltd on the EPCI contract for the subsea development of the **Egina** field. The scope of work includes engineering, procurement, fabrication, installation and pre-commissioning of subsea oil production and gas export pipelines, flexible jumpers, and umbilicals;
- work continued for Cabinda Gulf Oil Co Ltd (CABGOC), in Angola, on installation and pre-commissioning activities on the **Mafumeira 2** project. The contract comprises engineering, procurement, fabrication, installation and pre-commissioning of URF (umbilical, riser and flowline) facilities and export pipelines;
- work is progressing for CABGOC, in Angola, on the EPCI 3 contract encompassing the engineering, procurement and pre-fabrication activities for subsequent offshore modifications and tie-ins on the existing **Mafumeira Norte** platform and the future **Mafumeira Sul** production platforms;
- for Eni Angola, work has commenced on the **East Hub Development** project which includes services of engineering, procurement, fabrication and installation of 5 flexible manifolds and 20 km of rigid pipeline, as well as the installation of subsea facilities that include umbilical sections, tie-in tube sections with connectors and 14 multiple termination manifolds.

In the North Sea:
- work is almost complete for Det Norske Oljeselskap ASA on a contract encompassing the transportation and installation of the **Ivar Aasen** jacket and the **topside** in the Norwegian sector of the North Sea;
- in addition, alongside the projects described above, various structures were installed for Gaz de France (**Cygnus**) and

Statoil (**Dagny Gina** and **Mariner**) using third-party vessels owned by Heerema Marine Contractors and Wei Li;
- for Talisman Energy Ltd, following the installation of the jacket the project was first of all postponed and then cancelled.

In Russia, work has been completed for Lukoil-Nizhnevolzhskneft on the **Filanovsky** services for the engineering, procurement, fabrication and installation of an oil pipeline and a gas pipeline in a maximum water depth of 6 metres, along with related onshore pipelines connecting the riser block in the offshore field to the onshore shut-off valves. Work has also been completed on the additional scope of work comprising services of transport and installation of four platforms.

In Azerbaijan, work continued for BP on a **T&I** contract involving the transportation and installation of jackets, topsides, subsea production systems and subsea structures for stage 2 of the Shah Deniz field development project.

In China, work continued for Husky Oil China Ltd on the **Liwan 3-1** project encompassing engineering, procurement and installation services for two pipelines, umbilicals, and the transport and installation of a subsea production system linking the wellheads to a processing platform.

In Kazakhstan:
- for the North Caspian Operating Co (NCOC), work continued for the construction of two 95 kilometre pipelines, which will connect D island in the Caspian Sea to the Karabatan onshore plant in Karabatan. The scope of work includes the engineering, the procurement of the welding materials, the conversion and the preparation of vessels, the dredging, the installation, the burial and the pre-commissioning of the two pipelines;
- work continued for Agip Kazakhstan North Caspian Operating Co NV on the contract for the **EP Clusters 2 and 3** project in the framework of the Kashagan field development. The contract includes services of engineering, procurement, fabrication, and transportation of three topside production manifold modules;
- work continued for North Caspian Production Operations Co BV on the **Major Maintenance Services** project. The contract encompasses the provision of maintenance and services for Offshore (D island) and Onshore (OPF) facilities.

In the Gulf of Mexico, for Pemex, in the framework of the project for the development of the **Lakach** field, engineering and procurement works were completed and subsequent construction activities commenced. The contract encompasses services of engineering, procurement, construction and installation of the system connecting the offshore field with the onshore gas conditioning plant.

In Brazil, for Petrobras:
- work continued on the **Sapinhoà Norte and Cernambi Sul** project, encompassing services of engineering, procurement, fabrication, installation and pre-commissioning of the SLWR (Steel Lazy Wave Riser) for the collection system at the Sapinhoà Norte field, and of the FSHR (Free Standing Hybrid Risers) for the gas export systems at the Sapinhoà Norte and Cernambi Sul fields. Work also continued on the **Sapinhoà Norte** and **Iracema Sul** project;
- work continued on the contract for the construction of the **Rota Cabiúnas** gas export trunkline, situated in the Santos Basin Pre-Salt region. The development involves the engineering and procurement of subsea structures and the installation of a gas pipeline at a maximum water depth of 2,200 metres. The pipeline will connect the Central Gathering Manifold in the Lula field, in the Santos Basin, to the onshore Processing Plant of Cabiúnas, located in the Macaé district, in the State of Rio de Janeiro;
- work continued on the **Lula Norte**, **Lula Sul** and **Lula Estremo Sul** project, which includes services of engineering, procurement fabrication and installation of three subsea pipelines and two gas export manifolds.

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

In Italy, work was completed for Eni E&P as part of its **2015 Offshore Campaign** for the transportation and installation of the Bonaccia NW platform including the connection to the existing platform. In agreement with the client, activity on the Clara NW platform has been postponed until 2016.

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

Offshore fleet at December 31, 2015

Saipem 7000	Self-propelled, semi-submersible, dynamically positioned crane and pipelay vessel capable of lifting structures of up to 14,000 tonnes and J-laying pipelines at depths of up to 3,000 metres.
Saipem FDS	Dynamically positioned vessel utilised for the development of deep-water fields at depths of over 3,000 metres. Capable of launching pipes of up to 22" diameter in J-lay configuration with a holding capacity of up to 550 tonnes (upgrade to 750 tonnes currently underway) and a lifting capacity of up to 600 tonnes.
Saipem FDS 2	Dynamically positioned vessel utilised for the development of deep-water fields, capable of launching pipes with a maximum diameter of 36" in J-lay mode with a holding capacity of up to 2,000 tonnes. Also capable of operating in S-lay mode with a lifting capacity of up to 1,000 tonnes.
Castoro Sei	Semi-submersible pipelay vessel capable of laying large diameter pipe at depths of up to 1,000 metres.
Castorone	Self-propelled, dynamically positioned pipe-laying vessel operating in S-lay mode with a 120-metre long S-lay stern ramp composed of 3 articulated and adjustable stinger sections for shallow and deep-water operation, a holding capacity of up to 750 tonnes (expandable to 1,500 tonnes), pipelay capability of up to 60 inches, onboard fabrication facilities for triple and double joints and large pipe storage capacity in cargo holds.
Castoro Otto	Derrick pipelay ship capable of laying pipes of up to 60" diameter and lifting structures weighing up to 2,200 tonnes.
Saipem 3000	Mono-hull, self-propelled D.P. derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters and lifting structures of up to 2,200 tonnes.
Bar Protector	Dynamically positioned, multi-purpose support vessel used for deep-water diving operations and offshore works.
Castoro II	Derrick lay barge capable of laying pipe of up to 60" diameter and lifting structures of up to 1,000 tonnes.
Castoro 10	Trench/pipelay barge capable of burying pipes of up to 60" diameter and of laying pipes in shallow waters.
Castoro 12	Pipelay barge capable of laying pipes of up to 40" diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
Castoro 16	Post-trenching and back-filling barge for pipes of up to 40" diameter in ultra-shallow waters of a minimum depth of 1.4 metres.
Ersai 1	Heavy lifting barge equipped with 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 in the event of an evacuation due to H_2S leaks.
Castoro XI	Heavy-duty cargo barge.
Castoro 14	Cargo barge.
Castoro 15	Cargo barge.
S42	Cargo barge, currently used for storing the J-lay tower of the Saipem 7000.
S43	Cargo barge.
S44	Launch cargo barge, for structures of up to 30,000 tonnes.
S45	Launch cargo barge, for structures of up to 20,000 tonnes.
S46	Cargo barge.
S47	Cargo barge.
S 600	Launch cargo barge, for structures of up to 30,000 tonnes.
FPSO - Cidade de Vitoria	FPSO unit with a production capacity of 100,000 barrels a day.
FPSO - Gimboa	FPSO unit with a production capacity of 60,000 barrels a day.

During 2015 the vessels S355 and Castoro Sette were written down and divested on November 10 and December 22, respectively. The vessel Saibos 230 was written down and is awaiting divestment. As a result of the revision of the depreciation schedule at December 31, 2014, the vessel Semac 1 was totally depreciated and divested on December 5, 2015.

Onshore Engineering & Construction

General overview

The Saipem Group's Onshore Engineering & Construction expertise is focused on the execution of large-scale projects with a high degree of complexity in terms of engineering, technology and operations, with a strong bias towards challenging projects in difficult environments and remote areas.

Saipem enjoys a worldwide leading position in the Onshore sector, providing a complete range of integrated basic and detailed engineering, procurement, project management and construction services, principally to the Oil & Gas, complex civil and marine infrastructure and environmental markets. The company places great emphasis on maximising local content during project execution phase in a large number of the areas in which it operates.
The review of Saipem's competitive position in a markedly deteriorated scenario has led to the rationalisation of a fabrication yard and has made more complex negotiations for the recognition of change orders and claims that emerged during works execution.

Market conditions

The global energy landscape is changing deeply. The reporting year was characterised by excess production with respect to demand, a progressive reduction in expectations for growth in consumption in some developing markets, primarily China, and by constantly falling oil prices, with a loss of over 70% in value in the last year and a half, which has led the National and International Oil Companies to review downwards their investment costs and plans. One of the consequences of the changed economic situation was the postponement of the awarding of several projects currently underway. Contractors find themselves having to face ever more challenging situations and the experience, reliability, technological know-how and project management capabilities, including complex and/or large-scale ones, have become indispensable elements to remain competitive in the Onshore Engineering & Construction sector.
In a highly competitive market scenario, 2015 saw a significant contraction in the volume of EPC contracts awarded in the Onshore Engineering & Construction sector (Upstream, Midstream and Downstream) compared to the levels reached the previous year. However, the market continues to show consistent investment in the short to medium term, sustained thanks to continuous efforts in cost containment and reduction for project realisation.
Despite the visible reduction of global acquisitions compared to the previous year, the Middle East remains an area of paramount importance. Almost half of global project awards involved countries such as Kuwait, Jordan, Iran, Oman, Saudi Arabia, the United Arab Emirates and Bahrain in almost all Onshore Engineering & Construction segments of interest to Saipem (Upstream, Refining, Pipelines, Petrochemicals and LNG). Although the volume of new contracts has diminished, North America (USA and Mexico) remains one of the main areas for important awards in the LNG, Petrochemical, Fertiliser and Refinery segments, thanks to the recent but impetuous development of new shale gas and tight oil resources. The Asia-Pacific region (mainly China and Pakistan) also lost market share compared with the previous year, though it remains supported by awards in the Pipeline, Petrochemical and, to a lesser degree, also the Fertiliser and LNG segments. New projects in North and Central Africa are growing, with contracts signed in Egypt, Nigeria and Uganda in the Refining and LNG segments. Important EPC contracts were also awarded in the CIS (Russia and Uzbekistan), in the Refining and Fertiliser segments and in South America (Chile) in the Pipeline segment. In Europe, only minor EPC contracts were awarded.

Despite the fact that market conditions do not favour the **Upstream** segment due to markedly low oil prices, the values of EPC contracts awarded in 2015, mainly in the Middle East (Jordan, Kuwait, Saudi Arabia, Oman, United Arab Emirates and Iran), are of good levels. While the rest of the world is awaiting a change in the economic scenario, a few small-size initiatives are being awarded. The Upstream segment continued to show good short to medium term growth potential driven by gas and oil field discoveries and developments, but there is an increasingly pressing need for investments to maintain and replace the production levels of existing fields, which are in gradual decline.

Activities related to the **Pipeline** segment are higher than 2014. Growth was sustained by important awards in Asia-Pacific (China and Pakistan), the Middle East (Iran, United Arab Emirates and Kuwait) and South America (Chile). The segment is heavily driven by the abundance of available gas and, consequently, by the need to transport the gas from the production fields to the end user markets. For this reason, over recent years projects to build new gas pipelines or to expand existing ones have outnumbered oil pipeline projects. This trend is also confirmed by the contracts awarded in 2015 and it is expected to continue in the short to medium term, influencing mostly those countries opting to develop non-conventional fields and that will need to upgrade their distribution system.

Following an award rich year in 2014, the volume of new **LNG** projects awarded in 2015 was down significantly due to the entering into production of numerous new plants and lower growth expectations compared to the past, in particular in several Asian markets. The segment saw the awarding of important EPC contracts in North America (USA), Africa (Nigeria), the Middle

East (Bahrain) and Asia-Pacific (Malaysia), with project for the construction of additional units or expansions to existing complexes.

Although the **Refining** segment has reduced the overall value of awards compared to 2014, it remains the main sector of the Onshore Engineering & Construction market, confirming its role as driver in terms of the awarding of EPC contracts. In 2015, important complexes were acquired in the Middle East (Kuwait, Iran and Saudi Arabia), the CIS (Russia), North and Central Africa (Egypt and Uganda) and North America (Mexico).
Even if demand for oil products has grown less than expected, leading to the postponement of some initiatives; however, prospects for investment remain good in the medium to long term. However, the increasingly strict environmental legislation in force, particularly in OECD countries, is requiring the refining industry to modernise continually with existing facilities forced to revamp constantly to achieve increased process efficiencies. The effect has been to encourage small and medium size investments, the closure of outdated refineries and, in crude producing countries, the construction of export refineries.

Following an award rich year in 2014, the **Petrochemicals** segment saw a downturn in 2015, while maintaining a certain liveliness in terms of the awarding of significant EPC contracts in the Middle East (Oman), North America (USA) and Asia-Pacific (China). It is believed that the expected increase in demand for products may facilitate investments in the segment, due to expansion and/or upgrading of already existing complexes and the construction of new ones.

The **Fertiliser** segment saw an overall downward trend in awards compared to the previous year, due to uncertainties over the current economic situation and the entering into production of new plants. There were, however, some important contracts for the construction of ammonia plants in the CIS (Russia and Uzbekistan) and North America (USA). There were also some minor contracts awarded in Europe (Slovakia), Asia-Pacific (Vietnam) and South America (Bolivia).
Investments in the segment tend to be cyclical and the forecast for worldwide growth in demand over the short to medium term is expected to favour the development of new initiatives. The Fertiliser segment also features small-medium scale investment for expansion and upgrading of already existing complexes.

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 strategic regions.

New contracts

The most significant contracts awarded to the Group in 2015 were:
- for Fermaca Pipeline El Encino, in Mexico, for the EPC project, that encompasses engineering, procurement, construction and support with commissioning of a new compression station in El Encino;
- for the Kuwait National Petroleum Corp (KNPC), in the framework of the construction of the new Al-Zour (NRP - Al-Zour New Refinery Project) refinery, Package 4, in joint venture Essar Projects Ltd. The contract encompasses design, procurement, construction, pre-commissioning and assistance during commissioning tests, start-up and checks on the performance of tanks, related road works, offices, pipelines, piping support frames, water works and control systems for the Al-Zour refinery;
- for Corporaciòn Nacional del Cobre de Chile (CODELCO), the first phase of the project that encompasses engineering for the development of a water pipeline and all associated facilities, including the pump stations.

Capital expenditure

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

Work performed

The biggest and most important projects underway or completed during 2015 were as follows.

In Saudi Arabia:
- work continues for Saudi Aramco on two EPC contracts (Packages 1 & 2) relating to the **Jazan Integrated Gasification Combined Cycle** project for the generation of electricity to be undertaken near the city of Jazan, in southwestern Saudi Arabia. The Package 1 contract includes the gasification unit, the soot and ashes removal unit, the acid gas removal unit and the hydrogen recovery unit. The Package 2 contract includes six Sulphur Recovery Unit (SRU) trains and the associated storage systems. The scopes of work of both packages include engineering, procurement, construction, pre-commissioning, assistance to commissioning and performance tests of the concerned facilities;
- work continued for Petrorabigh (a joint venture between Saudi Aramco and Sumitomo Chemical) on the contract for the Naphtha and Aromatics Package of the **Rabigh II** project, which encompasses the engineering, procurement and construction of two processing units: a naphtha reformer unit and an aromatics complex;
- for Saudi Aramco, work continues on the **Complete Shedgum - Yanbu Pipeline Loop 4&5** project, which includes detailed engineering, procurement of all materials, excluding the line pipe supplied by the client, construction, pre-commissioning and assistance with commissioning;
- for Saudi Aramco, work commenced on the EPC project that encompasses the extension of onshore production facilities in the **Khurais**, **Mazajili** and **Adu Jifan** fields.

In the United Arab Emirates:
- construction and commissioning work for the three product lines (shale gas, natural gas liquids and condensate) is almost completed on the contract for Abu Dhabi Gas Development Co Ltd forming part of the development of the high sulphur content **Shah** sour gas field. The development project encompasses the treatment of 28 million cubic metres of gas a day from the Shah field, the separation of the sulphur from the gas, and the transportation of the gas product lines by pipeline to the national gas network in Habshan and Ruwais, in the north of the Emirate. Negotiations are still underway for the recognition of change orders and claims which emerged during project execution;
- work is almost complete on a project for the Etihad Rail Co in Abu Dhabi encompassing the engineering and construction of a **railway line** for the transportation of granulated sulphur, linking the natural gas production fields of Shah and Habshan (located inland) to the port of Ruwais.

In Kuwait, construction work continued for Kuwait Oil Co (KOC) on the **BS 171** contract, which encompasses the engineering, procurement, construction and commissioning of a new gas booster station consisting of two trains for gas compression and dehydration. The gas will be subsequently conveyed to the Mina Al Ahmadi refinery. Negotiations are still underway for the recognition of change orders and claims which emerged during project execution. It should be noted that during 2015 the client approved and paid a part of the total under negotiation.

In Iraq:
- for Basrah Gas Co (BGC), construction work has been completed on the **Inlet Booster Compressors (IBC)**. The contract encompassed the installation of three turbocompressors and auxiliary equipment, as well as tie-ins to existing facilities;
- work is nearing completion for Shell Iraq Petroleum Development on the **Majnoon** project, encompassing the installation of two gas treatment trains, turbocompressors and auxiliary equipment, as well as tie-ins to existing facilities. The first compression and treatment train is already supplying gas to the North Rumaila power station;
- work continued for Fluor Transworld Services Inc and MorningStar for General Services Llc (ExxonMobil) on the **West Qurna** project. The contract comprises engineering, procurement, construction, pre-commissioning and commissioning of water treatment and conveyance infrastructure, a pipeline and a water injection system;
- for Basrah Gas Co (BGC), work is underway for the recovery of the **Import & Storage LPG Terminal in Umm Qasr**, consisting of inspections (concluded in 2015), engineering development (of which the first phase has been completed) and construction targeted at securing the plant and increasing its production capacity.

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

In Nigeria:
- work continued for Dangote Fertilizer Ltd on the **Dangote** project for a new ammonia and urea production complex. Originally situated in Edo State, the plant was relocated by the client to the Lekki Free Trade Zone, Lagos State. The scope of work encompasses engineering, procurement and construction of two twin production streams and related utilities and off-site facilities;
- complex work is underway for Southern Swamp Associated Gas Solution (SSAGS) on the **Southern Swamp** contract, comprising engineering, procurement, construction and commissioning of compression facilities at four sites and of new gas central production facilities at one of the sites, which will treat the routed associated gas. Negotiations are underway for the recognition of change orders and claims which emerged during project execution;
- work continued for Total Exploration and Production Nigeria Ltd (TEPNG) on the **Northern Option Pipeline** project, comprising engineering, procurement, construction and commissioning of a pipeline that will connect Rumuji to Imo River.

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

In Italy:
- for Rete Ferroviaria Italiana SpA (Ferrovie dello Stato Group), work is underway on the contract for the detailed engineering, project management and construction of a 39 km section of **high-speed railway** line and of an additional 12 km of interconnections with the existing conventional railway, along the Treviglio-Brescia section across the Milan, Bergamo and Brescia provinces, as well as all associated works, such as power lines, works to reduce road interference, road crossings and environmental mitigation;
- for Versalis, activities have commenced in relation to the **Versalis-Ferrara IT** EPC contract for the construction of a fourth production line to operate alongside three existing lines, in addition to increasing production capacity and upgrading the plant's outside battery limit auxiliary systems.

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

In the framework of several Canadian projects for which the clients (Canadian Natural Resources Ltd and Husky Oil) have communicated termination, the parties are negotiating for the definition of claims and change orders. From an operational perspective, the **U&O/Williams** projects have been completed, while **Phase 3** and **SRU-SWC** proceed according to plan.

In Mexico:
- work is underway for Transcanada (Transportadora de Gas Natural Norte - Noroeste) on the **El Encino** project, comprising engineering, procurement and construction of a pipeline from El Encino (Chihuahua State) to Topolobampo (Sinaloa State). The project includes two compressor stations and three metering stations;
- work continued for Pemex on the **Tula and Salamanca** contract for the construction of two desulphurisation units and two amine regeneration units to be built at two of the client's refineries. The facilities will be built at the Miguel Hidalgo refinery, located 2,000 metres above sea level near the town of Tula and at the Antonio M. Amor refinery, located 1,700 metres above sea level near the town of Salamanca. Specifically, during the reporting years the certificate of mechanical completion was obtained for the two plants and in the current phase is seeing the completion of pre-commissioning and commissioning activities in relation to same.

In Azerbaijan and Georgia, for the Shah Deniz consortium, activities related to the **SPCX Pipeline** contract are underway, encompassing the construction of two pipelines and above ground installations.

In Australia, work has been completed for Gladstone LNG Operations Pty Ltd on the **Gladstone LNG** contract involving the engineering, procurement and construction of a gas pipeline connecting the Bowen and Surat fields to the Gladstone State Development Area (GSDA) near the city of Gladstone, Queensland, where an LNG liquefaction and export plant is due to be built. Legal proceedings have commenced for the recognition of change orders and claims which emerged during project execution.

Offshore Drilling

General overview

At year end 2015, the Saipem offshore drilling fleet consisted of fifteen vessels, divided as follows: seven deepwater 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), one for mid water operations at depths of up to 500 metres (the semi-submersible Scarabeo 3), two high specification jack-ups for operations at depths of up to 375 feet (Perro Negro 7 and Perro Negro 8), four standard jack-ups for activities at depths up to 300 feet (Perro Negro 2, Perro Negro 3, Perro Negro 4 and Perro Negro 5) and one barge tender rig (TAD). All units are the property of Saipem. Other minor vessels active off the coast of Peru make up the fleet. During the reporting year, the mid water semi-submersible Scarabeo 4 was scrapped and the lease of the standard jack-up Ocean Spur was concluded. This belongs to a third party and is used by Saipem for activities in South America. In 2015, Saipem's offshore drilling fleet operated in the Norwegian sector of the North Sea and the Barents Sea, in the Mediterranean (Egypt and Cyprus), the Red Sea, the Persian Gulf, in West Africa, Indonesia, offshore Ecuador and Peru.

Market conditions

The downturn in the market that commenced in 2014 continued in 2015. Indeed, the price of oil continued to display characteristics of general weakness, reaching a stable figure of under $40 per barrel in December and, consequently, contributing to a general climate of uncertainty as regards prospects for the medium term. The difficult moment for the market is reflected principally in the spending of the Oil & Gas companies: reductions in spending for the acquisition of drilling services has in fact continued, with a fall-off in 2015 in the order of 16% compared with the previous year. Uses have consequently seen a downward trend. While in the first part of the year the most modern of the technical units (deep water floaters and high spec jack-ups) nevertheless managed to register values of around 90%, in the second half of the year the negative market phase involved all types of rigs, bringing uses down to around 70%-75%. The difficult market phase has also led various Oil & Gas companies to decide for early termination of contractual commitments undertaken in previous years with various drilling contractors. The cases recorded have involved, without any marked differences, all the main regional markets. The negative cycle in the Oil & Gas sector has also pushed various contractors into opting for the retirement or dismantling of their most dated vessels. From the end of 2014, indeed, no fewer than 54 units (8% of the offer) were withdrawn from the marked due to lack of activity and the medium-term outlook, with a particularly significant impact on the semi-submersibles segment, where the number of facilities dropped by 37 units (20% of the offer). Saipem management expects that, over the next few months, this trend will reduce the number of rigs available. The rates for contracts assigned in the period continued the downward trend which began the year before, with lows that concerned in particular the ultra-deep water sector (under $300,000/day against $600,000/day in 2013) and high spec jack-ups (from the 2013 peaks of over $200,000/day to below $100,000/day in the second half of 2105). The combined effect of the expected increase in oil prices, the re-equilibrium between supply and demand for rigs and the need for cutting-edge vessels, will lead to a recovered in the daily rates over the medium term. Saipem management is convinced that the speed of the recovery in daily rates will be in line with the historical trend recorded. These expectations are even more legitimate with regard to countries such as Norway, where the limited supply of offshore drilling vessels will lead to a stronger recovery in the rates compared to other geographical areas.
On account of the significant number of orders awarded in previous orders, new offshore drilling rig construction levels remained healthy, with 175 new rigs under construction (122 jack-ups, 19 semi-submersibles and 24 drillships), 126 of which are slated for delivery by year end 2016. Overall, only 35 units under construction have already secured contracts, while the remainder will, in the short to medium term, contribute to a significant increase in global drilling rig services. The negative market phase has also led various client companies to postpone the time frames for the delivery of plants under construction, ostensibly to 2017 and beyond, while awaiting better market conditions. The significant number of units that will be delivered in the short to medium term, and the already mentioned retirement that has affected a part of the existing fleet, represent structural changes in the offshore drilling that will have significant effects in the medium to long term.

New contracts

The main acquisition in 2015 was the contract for National Drilling of Abu Dhabi, in the United Arab Emirates, for the lease of the Perro Negro 8 for a period of 30 months beginning June 2015.

Capital expenditure

Investments during the reporting year concerned class reinstatement and work to ensure the compliance of vessels with international regulations and client requirements. The facilities which received investments were the drillships Saipem 10000 and Saipem 12000 and the jack-ups Perro Negro 2, Perro Negro 8 and Perro Negro 5 (in this latter case work for class reinstatement commenced near year's end and will be concluded in the first quarter of 2016).

Work performed

In 2015, Saipem's offshore units drilled 79 wells totalling 145,199 metres.
The fleet was used in the following way:

- deep-water units: the drillship **Saipem 12000** operated in Angola for Total until October; while awaiting the identification of new activities, the unit has been transferred to Namibia; the drillship **Saipem 10000** carried out operations in Cyprus and Egypt in the framework of a multi-year contract with Eni; the semi-submersible rig **Scarabeo 9** operated in Angola on a long-term contract with Eni; the semi-submersible rig **Scarabeo 8** continued activities in the Norwegian sector of the Barents Sea for Eni Norge; the semi-submersible rig **Scarabeo 7** continued operations in Indonesia on a long-term contract with Eni Muara Bakau; the semi-submersible rig **Scarabeo 6** continued drilling operations in Egypt for Burullus; after the suspension of activities in October 2014, following the client's decision based on the unfavourable market context, the semi-submersible rig **Scarabeo 5** recommenced operations in mid-February in the Norwegian sector of the North Sea for Statoil; the ongoing negative market conditions led the client to suspend activities again beginning in September 2015; both periods of idleness were remunerated and the suspension rate and were used to completed optimisation activities on the plant;
- mid water units: on completion in April of activities in Egypt in the framework of a contract for the International Egyptian Oil Co (IEOC), the semi-submersible rig **Scarabeo 4** was sold for scrapping due to lack of prospects for use; the semi-submersible rig **Scarabeo 3** operated in Nigeria, completing activities for Addax and, subsequently, works for Folawiyo Aje Services Ltd (FASL) which had commenced towards the end of the first quarter; the unit was then transferred to the area of Almeria in Spain and placed on stand-by;
- high specification jack-ups: on completion of maintenance and enhancement works, the **Perro Negro 8** began operations in the United Arab Emirates for NDC, while the **Perro Negro 7** continued operations on behalf of Saudi Aramco offshore Saudi Arabia;
- standard jack-ups: the **Perro Negro 2** and **Perro Negro 3** continued operations in the United Arab Emirates for NDC, while the **Perro Negro 5** continued work for Saudi Aramco in Saudi Arabia; the **Perro Negro 4** continued to operate in the Red Sea for Petrobel; the **Ocean Spur**, which is operated by Saipem and owned by third parties, completed operations in Ecuador for Petroamazonas and was then returned to its owner;
- other activities: in the Congo, the tender assisted drilling unit **TAD** continued work for Eni Congo SA, while the contract for the operation of the Loango-Zatchi platforms was completed; offshore Peru, work was carried out for Pacific Offshore Energy and Savia.

Utilisation of vessels

Vessel utilisation in 2015 was as follows:

Vessel	Days under contract (1)
Semi-submersible Scarabeo 3	275
Semi-submersible Scarabeo 4 (2)	95
Semi-submersible Scarabeo 5	359
Semi-submersible Scarabeo 6	344
Semi-submersible Scarabeo 7	365
Semi-submersible Scarabeo 8	365
Semi-submersible Scarabeo 9	364
Drillship Saipem 10000	239
Drillship Saipem 12000	270
Jack-up Perro Negro 2	291
Jack-up Perro Negro 3	365
Jack-up Perro Negro 4	355
Jack-up Perro Negro 5	272
Jack-up Perro Negro 7	365
Jack-up Perro Negro 8	148
Tender Assisted Drilling Unit	356
Ocean Spur (3)	96

(1) For the remaining days (to 365) the vessel underwent class reinstatement and maintenance works as a result of technical issues.
(2) Vessel sold for scrapping in July.
(3) Chartered vessel owned by third parties, returned to owner.

Onshore Drilling

General overview

At year end 2015, Saipem's onshore drilling rig fleet was composed of 104 units, of which 100 are owned by Saipem and 4 by third parties but operated by Saipem. The areas of operations were South America (Peru, Bolivia, Colombia, Ecuador, Chile and Venezuela), Saudi Arabia, the Caspian Sea region (Kazakhstan and Turkmenistan), Africa (Congo) and Europe (Italy).

Market conditions

2015 saw spending by oil companies drop significantly compared with the previous year. The downturn in the market, testified to by the weakness of oil prices (reaching values of below $40 per barrel in December), has found its full manifestation in the onshore drilling sector: if, in the previous financial year, the unfavourable market phase had more contained overall effects compared to offshore drilling, in 2015 onshore drilling was also impacted in a significantly important way.

The United States is among the areas that have seen the most significant fall-off in activities, with a reduction in investments of 50% compared with the previous year. Weak oil and gas prices have in fact led to a progressive reduction in drilling activities in the area. The reaching of significant stock levels in the country and a rather mild winder have further contributed to the creation of conditions that depress the demand for drilling services.

South America, an historically oil price sensitive area, is, among the main markets, the one that has seen the most significant fall-off in activities, quantifiable as 30% compared with the previous year. The reductions recorded in other regions were more contained. The only exception is the Middle East, an area which, despite the pressure on leasing rates, has seen substantial stability in the level of activities, thanks to Saudi Arabia (the market of reference in the region) and to countries with significant programmes for growth, such as Kuwait.

New contracts

The most significant contracts awarded to the Group in 2015 were:

- contracts with various clients for the use of 14 rigs in Italy and South America for durations of between 4 months and 2 years;
- for the Kuwait Oil Co, a five-year contract and an option for extension for a further 12 months, for the lease of two deep drilling rigs;
- contracts with various clients for the use of rigs in South America, in particular Peru and Colombia.

Capital expenditure

The main investments made during the year related to work to ready rigs for operations in Saudi Arabia under previously acquired long-term contracts. In addition, upgrading and integration works were carried out to maintain the operational efficiency of the fleet and to meet client requests.

Work performed

330 wells, of which 27 were workovers (417 in 2014), were drilled during 2015, with a total of 807,531 metres drilled (877,567 in 2014).

In South America, Saipem operated in a variety of countries: in **Peru**, work was carried out for various clients (including Cepsa, CNPC, Pluspetrol, Gran Tierra, Perenco, Hunt and Savia); Saipem was present in the country with 19 proprietary rigs and 2 others managed by Saipem but owned by clients or third parties; in **Bolivia**, four rigs were deployed for YPFB Andina, Pluspetrol and Repsol; on termination of the activities assigned, a rig was transferred to Colombia, where it commenced operations in the second half of the year; in **Chile** work was completed for ENAP with the use of one rig; operations were started with two other vessels on behalf of YPF and again ENAP, respectively; in this latter case, the rig was halted due to unfavourable market conditions; it is predicted that activities will recommence in the second half of 2016 and the delay will in any case be remunerated by the client; in **Colombia**, Saipem was present with 7 rigs, one of which was transferred to Chile during the second half of the year; work was carried out for various clients, among which Equion, Canacol, Ecopetrol, Repsol and Schlumberger; in **Ecuador** four units were deployed for various clients, among whom Petroamazonas, Repsol and Tecpeservices; a plant under contract with Agip Oil was halted near year's end due to the unfavourable market conditions; it is predicted that activities will recommence in the second half of 2016 and the delay will in any case be remunerated by the client; finally, in **Venezuela** work continued for PDVSA with the use of 28 rigs; due to the difficulties in obtaining the amounts agreed upon, the operations were reduced progressively during the second half of the year while awaiting definition of the issues regarding payment.

In **Saudi Arabia**, Saipem deployed twenty eight rigs (of which three commenced operations during the reporting year), which carried out operations for Saudi Aramco under previously acquired long-term contracts. Preparation commenced of 2 rigs that will operate in **Kuwait** on several contracts acquired from KOC.

In the Caspian Sea region, Saipem operated in **Kazakhstan** for various clients, including KPO, Agip KCO and Zhaikmunai, with 4

proprietary rigs, one of which, on the client's request, was halted between May and October due to unfavourable market conditions; the period of idleness was, however, remunerated.
In **Turkmenistan**, Saipem operated with one unit on behalf of Burren/RWE; on completion of activities, the rig was transferred to the Kuryk base in Kazakhstan while awaiting the assignment of further work.
In West Africa, Saipem operated in **Congo** for Eni Congo SA, using a company-owned rig (whose activities concluded in July) and operating one client-owned rig.
In **Italy** Saipem completed activities for Total in the Tempa Rossa area with the use of one rig, subsequently earmarked for transfer to the Middle East to work on contractual commitments previously undertaken. Preparation work also commenced on a rig previously stacked in the Ravenna base for work on behalf of Eni, which will be carried out beginning from the first half of the subsequent year.
The two rigs in **Tunisia** and **Mauritania** (one in each country) did not operate in 2015.

Utilisation of rigs

Average utilisation of rigs was 90.5% (96.5% in 2014).
At December 31, 2015, company-owned rigs amounted to 100, located as follows: 28 in Saudi Arabia, 28 in Venezuela, 19 in Peru, 6 in Colombia, 4 in Ecuador, 4 in Kazakhstan, 3 in Bolivia, 2 in Chile, 2 in Italy, 1 in Congo, 1 in Mauritania, 1 in Tunisia and 1 in Turkmenistan. Additionally, 2 third-party rigs were deployed in Peru, 1 third-party rig in Congo and 1 in Chile.

Financial and economic results

Results of operations

The Saipem Group's 2015 operating and financial results and the comparative data provided for prior years have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission.
The analysis of performance by business unit is based on the adjusted results.

Saipem Group - Income statement

2014	(€ million)	2015
12,873	Net sales from operations	11,507
9	Other income and revenues	5
(9,262)	Purchases, services and other costs	(8,782)
(2,408)	Payroll and related costs	(2,222)
1,212	Gross operating result (EBITDA)	508
(1,157)	Depreciation, amortisation and impairment	(960)
55	Operating result (EBIT)	(452)
(199)	Net finance expense	(244)
24	Net income from investments	34
(120)	Result before income taxes	(662)
(118)	Income taxes	(127)
(238)	Result before non-controlling interests	(789)
8	Net profit attributable to non-controlling interests	(17)
(230)	Net result	(806)

Net sales from operations amounted to €11,507 million, representing a decrease of 10.6% compared to 2014.
The **Gross operating result (EBITDA)** was €508 million (€1,212 million in 2014), mainly due to the effect of the write-down of part of the working capital. Depreciation and amortisation of tangible and intangible assets amounted to €960 million; €1,157 million in 2014, mainly due to minor write-downs.
Operating result (EBIT) for 2015 totalled -€452 million compared with the €55 million reported in 2014. The greater discrepancies are detailed below in the analysis by segment of operations.
Net finance expense increased by €45 million compared with 2014, mainly due to the increase in average net borrowings.
Net revenue on equity investments amounted to €34 million, €10 million greater than in 2014 primarily through the effect of the sale of the holdings in Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA.
The **result before income taxes** amounted to -€789 million.
Income taxes were €127 million.
The **net result** for 2015 amounted to -€806 million, versus -€230 million in 2014.

2014	(€ million)	2015
55	Operating result (EBIT)	(452)
410	Impairment	198
465	Adjusted operating result (EBIT)	(254)

The write-downs of non-current assets amounting to €198 million concerned vessels slated for scrapping in as much as they could no longer be used in an economically feasible way for the execution of projects in the backlog, as well as parts of logistical bases affected by the rescheduling and/or cancellation of projects by their main clients, resulting in lower utilisation compared to forecasts.

Saipem Group - Adjusted income statement

2014	(€ million)	2015
12,873	**Net sales from operations**	**11,507**
9	Other income and revenues	5
(9,262)	Purchases, services and other costs	(8,782)
(2,408)	Payroll and related costs	(2,222)
1,212	**Gross operating result (EBITDA)**	**508**
(747)	Depreciation, amortisation and impairment	(762)
465	**Adjusted operating result (EBIT)**	**(254)**
(199)	Net finance expense	(244)
24	Net income from investments	34
290	**Adjusted result before income taxes**	**(464)**
(118)	Income taxes	(127)
172	**Adjusted result before non-controlling interests**	**(591)**
8	Net profit attributable to non-controlling interests	(17)
180	**Adjusted net profit**	**(608)**

Operating result and costs detail

2014	(€ million)	2015
12,873	**Net sales from operations**	**11,507**
(11,916)	Production costs	(11,210)
(116)	Idle costs	(198)
(143)	Selling expenses	(118)
(11)	Research and development costs	(14)
(21)	Other operating income (expenses)	(22)
(201)	General and administrative expenses	(199)
465	**Adjusted operating result (EBIT)**	**(254)**

In 2015, the Saipem Group reported **net sales from operations** of €11,507 million, down €1,366 million compared with 2014.
Production costs (which include direct costs of sales and depreciation of vessels and equipment) amounted to €11,210 million, representing a decrease of €706 million compared with 2014, reflecting the fall in revenues and write-down of a part of the working capital.
Idle costs, amounting to €198 million, increased by €82 million compared to 2014 through the effect of the inactivity of the Offshore E&C fleet, including the Saipem 7000 which would have been working on the South Stream project and the Semac, subject to review of its useful life in 2014, the Onshore Drilling rigs in South America and the Offshore Drilling vessels Scarabeo 3 and Scarabeo 4.
Thanks to the rationalisation of bidding costs, selling expenses were €118 million, down €25 million compared to 2014.
Research and development costs included in operating costs increased by €3 million.
General and administrative expenses amounted to €199 million, representing a decrease of €2 million.
Other operating income (expenses) of €22 million were in line with the figure recorded for 2014.
Analysis of the results in terms of the key activities is as follows:

Offshore Engineering & Construction

2014	(€ million)	2015
7,202	Net sales from operations	6,890
(6,470)	Cost of sales	(6,401)
732	Gross operating result (EBITDA)	489
(297)	Depreciation, amortisation and impairment	(297)
435	Adjusted operating result (EBIT)	192
(160)	Impairment	(138)
275	Operating result (EBIT)	54

Revenues for 2015 amounted to €6,890 million, down 4.3% compared to 2014. This was mainly attributable to lower volumes recorded in North and South America, which were mostly offset by higher volumes registered in Azerbaijan and Kazakhstan.
The decrease of €69 million in the cost of sales compared with 2014 reflected the lower volumes registered. Depreciation and amortisation was in line with 2014.
The adjusted operating result (EBIT) for 2015 amounted to €192 million, equal to 2.8% of revenues, versus €435 million in 2014. This was due mainly to the cancellation of the South Stream project and the lower profitability of projects in South America.
The gross operating result (EBITDA) stood at 7.1%, compared with 10.2% in 2014.
The operating result (EBIT) in 2015 amounted to €54 million, compared to the €275 million of 2014, through the effect of the write-down of a number of vessels, partly sold for scrap, and a construction site for a total of €138 million.

Onshore Engineering & Construction

2014	(€ million)	2015
3,765	Net sales from operations	2,788
(4,138)	Cost of sales	(3,442)
(373)	Gross operating result (EBITDA)	(654)
(38)	Depreciation, amortisation and impairment	(39)
(411)	Adjusted operating result (EBIT)	(693)
-	Impairment	(49)
(411)	Operating result (EBIT)	(742)

Revenues amounted to €2,788 million, representing a decrease of 25.9% compared to 2014, mainly due to the write-down of contract changes and the negotiation of claims relating to various contracts in connection with the lower volumes recorded in North America, Australia and West Africa. The cost of sales, which amounted to €3,442 million, also decreased compared with the previous year.
Depreciation and amortisation of €39 million was in line with the figure for 2014.
The adjusted operating result (EBIT) for 2015 amounts to a loss of €693 million, compared to the €411 million loss of 2014 through the effect of the write-down of contractual variations and claims of various contracts subject to negotiation in an amount of €572 million.
The operating result (EBIT) for 2015 amounted to -€742 million, compared to -€411 million recorded in 2014, due also to the write-down of a yard for €49 million.

Offshore Drilling

2014	(€ million)	2015
1,192	Net sales from operations	1,067
(580)	Cost of sales	(531)
612	Gross operating result (EBITDA)	536
(262)	Depreciation, amortisation and impairment	(241)
350	Adjusted operating result (EBIT)	295
(250)	Impairment	(11)
100	Operating result (EBIT)	284

Revenues amounted to €1,067 million, down 10.5% compared to 2014, due to the lower revenues of the drillships Saipem 10000 and Saipem 12000 and the drilling jack-up Perro Negro 8, affected by class reinstatement works, of the semi-submersible drilling rig Scarabeo 3, which had no contract in March and in the last two months of the year, and of the semi-submersible rig Scarabeo 4, operational only during the first few months of the year and then sold for scrapping. The decrease was in part offset by the higher revenues from the full-scale activities of the semi-submersible drilling rig Scarabeo 7, which underwent upgrading works in the same period in 2014.
The cost of sales was €531 million, versus €580 million in 2014.
Depreciation and amortisation decreased by €21 million compared to 2014.
The adjusted operating result (EBIT) for 2015 amounted to €295 million, versus €350 million in 2014, while the margin on revenues was 27.6% compared to 29.4% in 2014. This was due to the decreased contribution of the semi-submersible platforms Scarabeo 3 and Scarabeo 4, which were operative for the whole of 2014.
The gross operating result (EBITDA) stood at 50.2%, compared with 51.3% in 2014.
The operating result (EBIT) for 2015 amounted to €284 million, due to the write-down of the semi-submersible rig Scarabeo 4, sold for scrapping for €11 million.

Onshore Drilling

2014	(€ million)	2015
714	Net sales from operations	762
(473)	Cost of sales	(625)
241	Gross operating result (EBITDA)	137
(150)	Depreciation, amortisation and impairment	(185)
91	Adjusted operating result (EBIT)	(48)

Revenues for 2015 amounted to €762 million, representing a 6.7% increase compared to 2014, attributable mainly to increased activity in Saudi Arabia.
The cost of sales increased 32.1% compared to the 2014 period.
Depreciation and amortisation of €185 million was up €35 million compared to 2014, attributable mainly to increased activity in Saudi Arabia.

The operating result (EBIT) for 2015 amounted to -€48 million, compared to €91 million in 2014, due principally to the write-down of a portion of overdue receivables as the result of an increase in the country risk (Venezuela) and an increase in the costs for the inactivity of vessels in South America in the second part of the year.
The gross operating result (EBITDA) stood at 18.0%, compared with 33.8% in 2014.

Balance sheet and financial position

Saipem Group - Reclassified consolidated balance sheet (1)

The reclassified consolidated balance sheet aggregates asset and liability amounts from the statutory balance sheet according to function, under three basic areas: operating, investing and financing.

The management considers that the proposed scheme represents helpful information to the investor because it allows identification of the sources of financial resources (own and third party) and their utilisation within non-current assets and operating capital.

(€ million)	Dec. 31, 2014		Dec. 31, 2015	
Net tangible assets		7,601		7,287
Net intangible assets		760		758
		8,361		**8,045**
- Offshore Engineering & Construction	*3,666*		*3,392*	
- Onshore Engineering & Construction	*590*		*536*	
- Offshore Drilling	*3,034*		*3,050*	
- Onshore Drilling	*1,071*		*1,067*	
Investments		112		134
Non-current assets		**8,473**		**8,179**
Net current assets		**297**		**941**
Provisions for employee benefits		(237)		(211)
Assets (liabilities) available for sale		**69**		**-**
Net capital employed		**8,602**		**8,909**
Shareholder's equity		4,137		3,474
Non-controlling interests		41		45
Net debt		4,424		5,390
Funding		**8,602**		**8,909**
Leverage (net borrowings/shareholders' equity including non-controlling interests)		**1.06**		**1.53**
Number of 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 67.

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

Non-current assets at December 31, 2015 stood at €8,179 million, a decrease of €294 million compared to December 31, 2014. The variation was the result of capital expenditure of €562 million, positive changes in investments accounted for using the equity method of €16 million, depreciation and amortisation and write-downs of €960 million and disposals of €12 million, and the positive effect of €100 million deriving mainly from the translation of financial statements in foreign currencies and other changes.

Net current assets increased by €644 million, from positive €297 million at December 31, 2014 to positive €941 million at December 31, 2015.

The **provision for employee benefits** amounted to €211 million, representing a decrease of €26 million compared with December 31, 2014.

As a result of the above, **net capital employed** increased by €307 million, reaching €8,909 million at December 31, 2015, compared with €8,602 million at December 31, 2014.

Shareholders' equity, including minority interest, decreased by €659 million to €3,519 million at December 31, 2015, compared with €4,178 million at December 31, 2014. This decrease reflected the negative effect of the net result for the period of €789 million, dividend distribution of €17 million, the positive effect deriving from changes in the fair value of exchange rate and commodity hedging instruments of €7 million, the positive effect on net equity from the sale of Company branches for €37 million, the positive effects arising from movements in the employee defined benefits reserve of €1 million, and the positive effect on net equity deriving from the translation of financial statements in foreign currencies and other variations amounting to €102 million.

The decrease in net capital employed, which was greater than the decrease in shareholders' equity, led to an increase in net borrowings, which at December 31, 2015 stood at €5,390 million, compared to €4,424 million at December 31, 2014 (+€966 million).

Analysis of net borrowings

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Receivables from other lenders payable beyond the next period	(1)	(1)
Payables to banks due after one year	250	252
Payables to other financial institutions due after one year	3,064	2,589
Net medium/long-term debt	**3,313**	**2,840**
Accounts c/o bank, post and Group finance companies	(1,595)	(1,065)
Available-for-sale securities	(9)	(26)
Cash and cash on hand	(7)	(1)
Financing receivables due within one year	(58)	(30)
Payables to banks due within one year	277	180
Payables to other financial institutions due within one year	2,503	3,492
Net short-term debt	**1,111**	**2,550**
Net debt	**4,424**	**5,390**

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

For the allocation of gross borrowings of €6,513 million by currency, please refer to Note 14 'Short-term financial liabilities' and Note 19 'Long-term financial liabilities and short-term proportion of long-term liabilities'.

Statement of comprehensive income

(€ million)	2014	2015
Net profit (loss) for the year	**(238)**	**(789)**
Other items of comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
- remeasurements of defined benefit plans for employees	(21)	3
- share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans	2	-
- income tax relating to items that will not be reclassified	4	(2)
Items that may be reclassified subsequently to profit or loss:		
- change in the fair value of cash flow hedges [1]	(478)	(1)
- share of other comprehensive income of investments accounted for using the equity method	(1)	-
- exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	94	100
- income tax on items that may be reclassified subsequently to profit or loss	116	8
Total other comprehensive income, net of taxation	**(284)**	**108**
Total comprehensive income (loss) for the year	**(522)**	**(681)**
Attributable to:		
- Saipem Group	(516)	(702)
- non-controlling interests	(6)	21

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

Shareholders' equity including non-controlling interests

(€ million)	
Shareholders' equity including non-controlling interests at December 31, 2014	**4.178**
Total comprehensive income	(681)
Dividend distribution	(17)
Sale of treasury shares	-
Other changes	39
Total changes	**(659)**
Shareholders' equity including non-controlling interests at December 31, 2015	**3,519**
Attributable to:	
- Saipem Group	3,474
- non-controlling interests	45

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

	Shareholder's equity		Net result	
(€ million)	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
As reported in Saipem SpA's financial statements	**1,401**	**1,301**	**70**	**(127)**
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	2,343	1,581	(261)	(850)
Consolidation adjustments, net of effects of taxation:				
- difference between purchase cost and underlying book value of shareholders' equity	807	801	(5)	(7)
- elimination of unrealised intercompany profits	(371)	(343)	33	30
- other adjustments	(2)	179	(75)	165
Total shareholders' equity	**4,178**	**3,519**	**(238)**	**(789)**
Non-controlling interests	(41)	(45)	8	(17)
As reported in the consolidated financial statements	**4,137**	**3,474**	**(230)**	**(806)**

Reclassified cash flow statement [1]

Saipem's reclassified cash flow statement derives from the statutory cash flow statement. It enables investors to understand the link existing between changes in cash and cash equivalents (deriving from the statutory cash flow statement) and in net borrowings (deriving from the reclassified cash flow statement) occurring between the beginning and the end of the year. The indicator that enables making this connection is the 'free cash flow', or the access or deficit of cash remaining after financing the investments. Starting from free cash flow it is possible to determine either: (i) on the change in cash for the period, after the cash flows relating to financial debts/assets have been added/subtracted (opening/repayments of credits/debits), to the capital held (payment of dividends/net purchase of treasury shares/capital inputs), and the effects of the changes of the consolidation perimeter and the exchange rate translation differences on cash and cash equivalents; (ii) on the change of net borrowings for period, after the flows relating to own capital have been added/subtracted, and the net effect on borrowings of the changes of the consolidation perimeter and the translation differences.

(€ million)	2014	2015
Net profit (loss)	(230)	(806)
Minority interest	(8)	17
Adjustments to reconcile cash generated from operating profit before changes in working capital:		
Depreciation, amortisation and other non-monetary items	1,011	905
Net (gains) losses on disposal and write-off of assets	(2)	(18)
Dividends, interests and income taxes	291	318
Net cash generated from operating profit before changes in working capital	**1,062**	**416**
Changes in working capital related to operations	569	(468)
Dividends received, income taxes paid, interest paid and received	(433)	(455)
Net cash flow from operations	**1,198**	**(507)**
Capital expenditure	(694)	(561)
Investments and purchase of consolidated subsidiaries and businesses	(9)	(1)
Disposals	15	155
Other cash flow related to capital expenditures, investments and disposals	-	-
Free cash flow	**510**	**(914)**
Borrowings (repayment) of debt related to financing activities	(10)	12
Changes in short and long-term financial debt	(170)	370
Sale of treasury shares	-	-
Cash flow from capital and reserves	(45)	(16)
Effect of changes in consolidation and exchange differences	18	12
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**303**	**(536)**
Free cash flow	**510**	**(914)**
Sale of treasury shares	-	-
Cash flow from capital and reserves	(45)	(16)
Exchange differences on net borrowings and other changes	(129)	(36)
CHANGE IN NET BORROWINGS	**336**	**(966)**

(1) See 'Reconciliation of reclassified balance sheet, income statement and cash flow statement to statutory schemes' on page 67.

The **net cash flow from operations** of negative €507 million, along with fully funded capital expenditures of €407 million, generated a free cash flow of negative €914 million, to which can be added the positive financial variation of €378 million which led to a negative cash flow for the period of €536 million.
The **cash flow from capital and reserves**, which amounted to €16 million, arises mainly from the dividend distribution. The effect of exchange differences on net borrowings and other changes produced a net negative effect of €36 million.
As a result, **net borrowings** increased by €966 million.
Specifically:
Net cash generated from operating profit before changes in working capital of €416 million related to:

- the net result for the year of -€789 million;
- depreciation, amortisation and impairment of tangible and intangible assets of €960 million, net of the change in the provision for employee benefits (€21 million), changes in investments accounted for using the equity method of €16 million and exchange differences and other changes of -€18 million;
- net (gains) losses on disposal and write-off of assets, which had a negative effect of €18 million;
- net finance expense of €191 million and income taxes of €127 million.

The negative change in working capital related to operations of €295 million was due to financial flows of projects underway.

Dividends received, interest and income taxes paid during 2015 of €455 million were mainly related to taxes paid and refunded and to the purchase and sale of tax credits.
Capital expenditure during the year amounted to €561 million. Total investment can be divided by area of business as follows: Offshore Drilling (€247 million), Offshore Engineering & Construction (€168 million), Onshore Drilling (€110 million) and Onshore Engineering & Construction (€36 million). Additional information regarding investments made in the 2015 period, are reported in the comment to the trend of operations.
Investments and purchase of consolidated subsidiaries and businesses amounted to €1 million.
The flow of cash generated by the disposals of €155 million refer primarily to the sale of the 'Servizi Ambiente' and 'Centro Esecuzione Progetti Roma-Vibo' businesses and the sale of the holdings in Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA.

Key profit and financial indicators

Return On Average Capital Employed (ROACE)

Return On Average Capital Employed is calculated as the ratio between adjusted net profit before non-controlling interests, plus net finance charges on net borrowings less the related tax effect and net average capital employed. The tax rate applied on finance charges is 27.5%, as per the applicable 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 €0 million at December 31, 2014 and at December 31, 2015.

		Dec. 31, 2014	Dec. 31, 2015
Net result	(€ million)	(238)	(789)
Exclusion of net finance expense (net of tax effect)	(€ million)	144	177
Unlevered net result	(€ million)	(94)	(612)
Capital employed, net:	(€ million)		
- at the beginning of the period		9,504	8,602
- at the end of the period		8,602	8,909
Average capital employed, net	(€ million)	9,053	8,756
ROACE	(%)	**(1.04)**	**(6.99)**
Return On Average Operating Capital	(%)	**(1.05)**	**(6.99)**

Net borrowings and leverage

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

	2014	2015
Leverage	1.06	1.53

Sustainability

Saipem is committed to managing operations in a sustainable and responsible way, promoting dialogue and consolidating relationships with its stakeholders. Our presence in local communities enables us to build shared values that contribute – particularly through the deployment of a strategy of local content – to the socio-economic development of the areas in which we operate.

Relations with stakeholders

The identification and involvement of all bearers of legitimate interests are fundamental features of the Company's sustainability strategy.
The approach to engagement with all types of stakeholder, the activities carried out and the feedback received during 2015 are detailed below.
In 2015, the main event that gave Saipem management an opportunity to meet the financial community was the Strategy Presentation. In October, Stock-Exchange analysts and major investors were invited by Saipem to participate in an Investor Day held in London. During the event, Saipem presented its new Business Plan and global strategy for supporting the plan, including the launch of a capital increase for 2016. More generally, as part of its financial disclosures, in 2015 Saipem organised 13 roadshow days and was present at 3 international investor conferences. At these events, the Company representatives illustrated Saipem's operations and results in Boston, Frankfurt, London, Milan, New York, Paris, Rome and Yountville (California). In addition, Saipem hosted 2 reverse-roadshow days at the Milan offices. During these 2015 initiatives, more than 450 people, including portfolio managers and buy side/sell side analysts, were contacted during individual or group meetings, conference calls and video conferences, while more than 1,350 people participated in the quarterly presentation of the financial results via conference calls and the web.
In addition, during 2015 Saipem also involved 10 financial stakeholders in a study analysing materiality issues. Specific reports regarding aspects of sustainability were also prepared for Engagement International, the Ethical Council, FTSE4Good, Generali AM, GES, ISS Ethix, MSCI, RobecoSAM, SustainAlytics and Vigeo. Saipem also participated in the Carbon Disclosure Project (CDP).

Clients are important stakeholders both at Corporate level and on individual operational projects. Reporting on operating projects is constant. Project managers and project staff reply quickly to the requests of the client, who is often present on-site in day-to-day operations. Clients are also involved in HSE training initiatives, such as environmental awareness campaigns or the LiHS (Leadership in Health and Safety) programme. At the end of each project, and on an annual basis, the client is asked for feedback using the 'Customer Satisfaction' tool. Furthermore, meetings with clients or potential clients are organised in pre-bid and bid phase and can involve a number of specific aspects such as Saipem's approach to sustainability.
During 2015, Saipem organised meetings with clients to engage them in its sustainability strategy in countries such as Azerbaijan, Brazil, Canada, Mexico, Mozambique, Oman and the USA.
In addition, during 2015 Saipem also involved 29 customers in a study analysing materiality issues. In some projects, Saipem also directly included its clients in the fulfilment of community initiatives, especially in Angola and Indonesia.
The clients provided their feedback via the Customer Satisfaction questionnaires (91 in 2015), and also expressed an opinion on the methods implemented by Saipem on managing local stakeholders and the value generated in the local area.

This **human capital** is a fundamental asset for the Company's long-term success. Saipem is committed to attracting talented people and promoting their development, motivation and skills. Saipem is further committed to ensuring a healthy and safe workplace and to having proactive relations with the trade unions in order to ensure an open and collaborative relationship.
In the past year the second Strategy LineUp was launched. This is a cascade-type process of communication of the strategic priorities and corporate goals to all Company's employees. It was implemented in 54 countries around the world, for a total of 80 meetings. Around 8,000 employees responded to the Engagement Survey launched in 2015. The result was posted on the Company intranet. The Engagement Survey included a Sustainability section for the first time (around 7,400 respondents), and the result was integrated qualitatively within the materiality analysis.
Local employees were involved in the sustainability initiatives for local are in a variety of countries such as Brazil, Indonesia, Kazakhstan, Peru and Venezuela.
In Angola, Saipem involved the local management and some client representatives by inviting them to participate in the HOPE (Human OPerational Environment) programme, a specific human rights training initiative, adapted to the situation of the country where it is held.

Local communities are priority stakeholders in Saipem's local approach. Saipem ascribes major importance to the needs of the local communities and contributes to their progress in terms of social-economic development and improvement of living conditions. Each operating company or project has a specific approach to relations with local communities that takes account of Saipem's role and of the socio-economic and cultural context in which it operates.
During 2015, there were numerous initiatives for involving local communities.
A public meeting was held with the people of the village of Kuryk in Kazakhstan to present and discuss the Ersai sustainability plan.

This was carried out to reinforce the community's sense of responsibility and recognition of these initiatives.
In Nigeria, several meetings were held with the Rumuorlumeni communities with a view to updating the Memorandum of Understanding (MoU).
Initiatives and projects for the local communities were implemented in Angola, Bolivia, Brazil, Colombia, Congo, Indonesia, Kazakhstan, Nigeria, Peru and Venezuela (additional details can be found in the 'Saipem Sustainability 2015' report).
Saipem collaborates with schools and universities in numerous countries throughout the world by means of initiatives for promoting the development of human capital, which includes, for example, the organisation of internships and research projects (Angola, Azerbaijan, France and Indonesia), the awarding of study grants (Croatia and Nigeria), the development of training courses (Nigeria and Italy) and the organisation of meetings to raise awareness concerning Saipem operations (Brazil).

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. As well as institutional and official relationships with the authorities, Saipem collaborates with public entities in the organisation of initiatives for communities and local development. Proactive collaborations have been entered into in many countries in order to achieve coordinated action for local development. This includes collaborations with health ministries, hospitals or local medical centres for awareness projects against diseases such as malaria or AIDS in countries such as the Congo, Angola and Nigeria, and other collaborations with local health authorities in Peru, Angola, Brazil and Kazakhstan. Numerous collaborations are in place on different subjects in Kazakhstan, Italy, Indonesia, Azerbaijan and Angola.
During 2015, Saipem also involved 5 representatives of local authorities in Indonesia, Kazakhstan, Brazil and Italy, as part of the study on materiality issues.

Vendors are considered key partners for the success of Saipem's business. Therefore, Saipem is committed to developing and maintaining an enduring relationship with its vendors. Through a structured process of Vendor Management, Saipem can assess the reliability of vendors in terms of technical, financial and organisational capabilities.
Furthermore, at Corporate level, periodic meetings are held with key vendors with whom strategic agreements have been signed. During 2015, the Company continued its audits of social responsibility involving suppliers in India, China, Bahrain and Saudi Arabia.
As part of the project of participation in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, 89 suppliers were investigated in 2015. In March, Saipem organised its first 'Due Diligence Day' involving the suppliers that had not responded to the questionnaire during the 2014 survey, or that had provided only partial information.
Locally, the involvement of vendors is constant, with the organisation of specific initiatives aimed at improving the quality of supplies and bringing vendors into line with Saipem's quality, health, safety, environment and social requirements. In particular, meetings with local vendors were held in Angola, Saudi Arabia, Nigeria and Turkey with a view to informing or training local vendors. In Kazakhstan, Peru and Colombia some vendors were involved in the organisation of initiatives for local communities.
In addition, Saipem involved the suppliers of security services in Angola, inviting them to participate in the HOPE (Human OPerational Environment) programme.

Local and non-governmental organisations are also the targets of specific engagement activities. Through its institutional channels, Saipem regularly publishes information about its Corporate Governance and internal control system, its Company management systems, as well as its objectives and performance. Cooperation with the Eurasia Foundation of Central Asia (EFCA) in Kazakhstan proceeded in 2015 with a view to completing initiatives aimed at education in the local community. Work with the Junior Achievement Azerbaijan (JAA) to reinforce the technical skills of university students also went ahead. In Angola, Saipem collaborated with the 'Mentor Initiative' on projects tending to combat malaria by improving the skills of the local medical personnel.
In addition, during 2015 Saipem also involved 3 representatives of non-governmental organisations in a study analysing materiality issues.

Sustainability reporting

Saipem's sustainability reporting system consists of numerous complementary documents which cover the disclosure requirements of the main stakeholders.
'Saipem Sustainability' (available on the website www.saipem.com) describes the main results obtained during the year, the objectives for subsequent years, strategies, and the Company's approach to material themes, with various country focuses. The themes defined as material by external stakeholders and a panel representative of Company managers are: Safety; Safety in operations and processes; Integrity of assets; Prevention of spills; Oil spill response; Local employment; Local procurement; Licence to operate locally; Anti-corruption and ethics in business management; Innovation and flexibility in business; Transparency; Ethical supply chain; Training and development; Workers' rights. 'Saipem Sustainability' is drafted in accordance with the international guidelines of the Global Reporting Initiative (GRI - version G4).
This annual report includes publication of 'Sustainability Performance 2015', which provides the Company's sustainability performance for the year and the main results in terms of indicators and trend analysis.
Alongside these two documents, Saipem produces 'Country Reports' and 'Project Reports', which focus respectively on the activities and initiatives achieved in a certain country or on a certain project. During 2015, Saipem also continued to issue communications targeted mainly at local stakeholders.
Specifically, a 'Project Report' was issued on the Tanger Med 2 project in Morocco. All documents cited herein are available at the Company website www.saipem.com.

Research and development

Technology innovation, one of the five pillars of Saipem's new Strategic Plan, is an essential asset for the Group to succeed because it allows the future needs of the Oil & Gas industry to be anticipated and at the same time provides customers with the most advanced solutions, exploiting new and challenging opportunities, achieving improved operating performances and reducing the environmental impact of the construction activities.

Technology innovation in Saipem is developed in steps starting from idea to application and is also conceived directly in relation to projects or to proprietary assets as the result of a problem-solving approach.

Technology development activities are organised into thematic areas which directly coincide with the activities of the business units in order to ensure a clearer alignment with their strategies and with the aim of fostering an effective transfer of the fruits of Saipem's technology development to the business areas.

For the Offshore Engineering & Construction Business Unit, development has focused on the Subsea (SURF and Subsea Processing) and subsea pipelines in addition to materials technologies, of interdisciplinary interest to the two areas mentioned above.

In the SURF (Subsea, Umbilicals, Risers, Flowlines) strategic area, today's challenges are to reduce costs in the case of fluids that are particularly difficult to produce and to qualify the technologies that allow fields to be developed in ultra-deep waters. The Saipem 'Single Independent Riser' technology is designed to improve riser fatigue behaviour and extend its field of application to a depth of well over 3,000 metres, whilst the 'Heat Traced Pipe-in-Pipe' technology, adapted for the J-lay of rigid pipelines, extends the application of the most efficient active heating system (insulated heat trace) to larger diameter risers and flowlines and even longer tie-back lines. The new 'Fusion Bonded Joint' technique enables the installation of plastic lined pipes for highly corrosive fluids in place of more expensive clad pipes and is an example of technology designed to reduce costs, an aspect that is of paramount importance in the current low oil price scenario.
Some of the most significant results achieved in this area in 2015 have been, among others:

- the application in several commercial projects of an innovative, more reliable and economic solution, using coiled tubing for the dewatering operations in submarine pipelines in place of the traditional approach with flexible pipes;
- the qualification of Saipem's 'Heat Traced Pipe-in-Pipe' solution for rigid J-lay; some clients have validated the solution as 'qualified for their projects';
- the qualification for industrial use of the new 'Fusion Bonded Joint' technique, a solution being currently proposed on client prospects.

To face the increasing complexity of subsea field development, the Oil & Gas service market is redefining its offer by delivering the full subsea process and transportation system over the entire life of the field. In that respect, Saipem is continuously developing skills, technology and strong contents in subsea processing and remote subsea operations, especially for subsea water treatment and injection, subsea gas/liquid separation, liquid/liquid separation, repair and connection systems, and other subsea engineered systems.

In the subsea processing field, the development of a number of innovative systems continued, also in partnership with leading oil companies:

- the development and industrialisation of SPRINGS®, a subsea water treatment plant to remove the sulphates from seawater, have progressed jointly with Total and Veolia, taking advantage also of the proprietary SubseaBus™ modularisation and standardisation technology applied to system design and supply chain definition;
- the 'Spoolsep' proprietary subsea liquid/liquid gravity separation system has seen design and performance improvements, thanks to a second experimental campaign; a JIP (Joint Industry Project) funded by leading oil companies was launched on application cases of their interest.

In the subsea remote intervention area, Saipem has just developed and manufactured the first two vehicles of 'Innovator 2.0', the new generation, high power, work class ROV, designed to be highly reliable and with outstanding performances. The two 'Innovator 2.0' will operate onboard the newly built vessel 'Normand Maximus', under delivery, capable of deploying the ROVs in very harsh sea states.

Saipem's excellence in materials technology will be further exploited to enhance productivity and reduce the cost of quality: the 'Internal Plasma Welding' technology for carbon steel and clad sealines, successfully used on projects in Asia, Middle East and Caspian area, has definitively demonstrated how this is possible. New and even faster welding and field joint coating techniques, exotic and composite materials for pipes, spools and ancillaries are under development, to face corrosion, fatigue, high pressure and high temperature applications.

Excellence in materials technology is also key for Saipem's strong positioning in the long sealine installation business: new solutions to further optimise the techniques and reduce costs have been prepared very recently. The cutting edge subsea trenching technologies, successfully developed and used on past projects in the Caspian Sea, are continuously supporting our projects, especially in very shallow waters.

In this field of excellence, a number of innovative solutions are ready for commercial application:
- the development activities of the AFT (Anti Flooding Tool) system, which prevents the flooding of the pipe during the installation phase, were completed; the system is ready for use in operations;
- the industrialised units of the new acoustic instrument (IAU), which remotely measures the inner ovality of the pipe preventing buckling during S or J-lay, was completed and one of these units has been tested on a real S-lay project, with good results;
- a new automated field joint coating system for sealines, capable of significantly reducing the coating cycle time in firing line, was built, qualified and successfully tested on board a laying vessel.

The focus of the Floaters business line was primarily on high-end technological solutions for Floating LNG and floaters for harsh conditions like the Arctic. As regards Floating LNG, the following areas represented the main objects of investigation:
- the search for innovative solutions for floating liquefaction facilities with the objective of achieving more efficient and safer gas production, under increasingly challenging conditions;
- the qualification of a tandem LNG offloading system using floating flexible hoses in collaboration with an industrial partner.

The Drilling Business Unit mainly concentrated on the adoption of new drilling techniques, rigs for harsh conditions and green solutions:
- the Managed Pressure Drilling (MPD) technology study has been successfully completed. A couple of Saipem drillships will be fitted with MPD equipment in 2016;
- the design of an Arctic drilling ship has been finalised by Moss Maritime;
- a recently developed package of new technologies based on a 'green design' approach is also available to offer solutions to minimise the environmental impact and maximise the energy saving of drilling semis and drillships (Moss EcoDrive™, Moss EcoLNG™ and Moss EcoGreen™).

The Onshore Engineering & Construction Business Unit mainly focused on the optimisation of proprietary licensed process technologies and on novel technological solutions for selected non-proprietary business segments (LNG, heavy oil, gas monetisation) in order to increase the value of the proposals to clients.

A multi-year plan is in progress to keep the proprietary fertiliser production technology 'Snamprogetti™ Urea' at the highest level of competitiveness. Ongoing activities include:
- yield improvement through the use of the novel 'Supercups™' trays in the reactor, successfully tested in two plants in 2014 and now ready for commercialisation;
- improvement of the resistance to corrosion and cost reduction through development of new construction materials;
- reduction of energy consumption through optimisation of the auxiliary systems;
- reduction of the environmental impact ('Urea Zero Emission') through highly innovative solutions under development.

In the field of non-proprietary technology, it is worth mentioning the recently completed comprehensive study on re-gasification of LNG; several options to reduce energy consumption in comparison to current technology have been identified and may be implemented in future projects.

Other activities focused on the improvement of energy efficiency and reduction of environmental impact with potential wide application (e.g. use of renewable energy in process plants, optimisation of methodologies for Life Cycle Assessment).

Finally, an increased effort was devoted to significant cross-business themes, such as Oil Spill Response and Pipeline Integrity Management.

As confirmation of all the efforts devoted to technological development activities, Saipem filed 24 new patent applications in 2015.

Quality, Safety and Environment

Quality

To emphasise and reinforce the Company's commitment to delivering products and services that meet the highest standards of Quality, Top Management decided to focus strongly on initiatives structured towards improvement.
In keeping with these principles, the end of 2013 saw the roll out of the 'Bring quality to the next level' programme, which involved the launch of five workstreams whose activities became operative in 2015:
- Cost of Non Quality: definition of categories of failure that generate Costs of Non Quality and definition of calculation methodologies for estimating the overall impact of these costs for Saipem SpA projects;
- Saipem Knowledge Management: implementation of a company network (K-hub) for sharing experience and knowledge, open to all personnel;
- Top Management Critical Metrics - Drilling: design of a new process for the definition and monitoring indicators for the drilling business;
- Quality Built in Process - Supply Chain: analysis of recurring quality issues in the supply chain process and definition of areas of improvement;
- Quality Built in Process-Fabrication Subcontract to third party: mapping of the fabrication process, identifying areas for attention and defining improvement actions.

With the issue of the 'Regulatory System' Management System Guideline, 2014 saw the introduction on substantial changes to the management of work process as regards both governance and operational aspects.
For each work process identified, Process Owners at Corporate level have been appointed. These are individually responsible for the definition, management and improvement of their own Process in the whole Saipem Group.
To ensure efficient implementation of the new model, in September 2014 a dedicated project called 'Regulatory System Improvement' was started.
During 2015, activities were conducted under the coordination of the Programme Manager, with the direct involvement of all Process Owners and of about 100 focal points for the various Processes in the offices of Saipem SpA and Saipem SA.
As part of the Cost Structure Optimization project the year saw the completion of an analysis of Quality cost centres used worldwide with the aim of homogenising them and monitoring costs allocated to them.
The following activities were also completed during the reporting year:
- The new ISO 9001 certification model based on the multi-site scheme was defined. Following a bid, the role of Certification Body was assigned for the next three-year period to TUV NORD.
- In December, three-yearly renewal of ISO 9001 certification was obtained with the new model and the new Body.
- ISO 3834 certification was obtained concerning the Fabrication Process through Welding for Onshore Pipelines.
- The coordinated collection of Lessons Learned was activated, applying the new process for the critical projects of Arzew, Shah, Wasit and Scarabeo 7 Maintenance, which represent all Business Units.
- For the Arzew LNG project, the first liquefaction plant completed fully by Saipem a multi-disciplinary work group was set up consisting of Engineering, Management, Construction, Materials, Commissioning and Quality to analyse the critical inter-departmental aspects of this technology highlighted during plant realisation phase. A 'White Book' is currently being drafted in which all the experience acquired and to be implemented on the technology in future plants will be collected.
- Measurement of 'Customer Satisfaction' on all executive projects and issue of an annual report.
- Completion of the issue plan for the Quality Process of Corporate standards and related technical instructions to assure consistency and integration between Quality Assurance and Quality Control in the various business lines.
- Completion of the issue of 'typical' Quality Control Plans for Onshore plants. Implementation of their extension to Offshore plants and Floaters.
- Improvement and redefinition of the Technical and Vessel document system.
- Implementation of the reporting system for quality activities at branches/subsidiaries (company and project level).
- Review of KPIs for all processes in accordance with output of 'Regulatory System Improvement' project.
- Creation of a database to keep Regulatory System Improvement project activities under control both in Saipem SpA and in the subsidiaries.
- Modification to Quality System Internal Audit planning in accordance with new Process definition and Process Owners.
- Execution of Quality audits planned at Corporate Process and executive project level.
- Survey of the Cost of non Quality' on selected executive projects in accordance with the new methodology.
- Updating and improvement to software for the management of plant certification and keeping welds under control, on the basis of feedback from the executive projects.
- Integration of the Non Conformity database between Quality and Post Order.
- Improvement to the Vendor performance feedback management system.

Safety

With regard to workplace health and safety performance, the final result obtained in 2015 for the recordable accident indicator (TRIFR) was 1.08, an improvement on 2014 (1.09).
On the other hand, with regard to initiatives, several activities and campaigns were started over 2015 to maintain the safety standards at the highest levels in all the Saipem businesses.
The following should be noted:

- The continuation of the 'Leadership in Health & Safety' programme by the projects, sites and vessels in all the business units. In particular, the number of LiHS workshop editions (first stage of the programme) has now exceeded 1,000.
  The new LiHS implementation strategy, developed in the first quarter of 2015, was started in the second half with the objective, inter alia, of again involving the whole Saipem fleet according to an organic, detailed and sustainable plan. The implementation, which is based on the personal commitment of the 'Vessel Management Team' members, as well as the 'Front Line Supervisors', will be ongoing throughout 2016.
  The activities, planned for the start of 2015 and designed to make the Fabrication Yards (especially those considered strategic) more independent when implementing the LiHS, have ended.
- Parallel with the training paths of the LiHS programme and the launch of the Life Saving Rules, and coinciding with the World Day of Health and Safety at Work of April 28, the LHS Foundation and Saipem launched the 'Italia loves Sicurezza' initiative, a three-day event organised in three Italian cities which is part of a public awareness campaign on the emerging trends in occupational health and safety.
- April 28 saw the start of the new internal competition linked to the 'Sharing Love for Health and Safety' campaign.
- Still in April, the LHS Foundation and Saipem promoted participation in the 'Milan Relay Marathon 2015' as a contribution to disseminating an active and healthy lifestyle within the Company, continuing the route started with the 'Choose Life' programme.
- The ongoing 'Keep Your Hands Safe' campaign was spread to other operating sites in the Group. This was aimed at reducing hand injuries and several workshops on the 'Know Your Barriers' theme were held, especially in the Offshore Drilling (Rigs) context.
- The campaign dedicated to the 'Life Saving Rules' was launched directly by the CEO in September 2015. They are issued by the OGP (International Association of Oil & Gas Producers) and were taken up by Saipem to disseminate the 'life-saving rules' with greater emphasis and draw attention to the hazardous activities and the individual actions to protect oneself and others. The campaign will continue throughout 2016 and envisages a gradual dissemination of the campaign material.
- Spreading the 'life saving rules' campaign is part of a broader project called 'We Want Zero' which is aimed at eliminating fatal accidents in Saipem.
- The IT tools supporting the HSE process have also been improved. The software for the management and reporting of HSE audits ('Corinth') is being disseminated to the other companies in the Group.
  The 'Safety Dashboard', which allows you to check, in real time, the accident performance trend of Saipem by displaying the data for the whole Group, for the individual BU and/or activity, is ever more widespread and in the restyling phase.
  The software dedicated to accident reporting ('Prometheus') continues its test phase, also involving the operational sites, in preparation for its dissemination throughout the Group.
  Finally, the updating activities for the HSE training portal ('Delphi') are ongoing and constant.

Environment

Saipem also pursues continuous improvement for environmental performances, adopting strategies to reduce any type of impact and to conserve and valorise the natural resources.
Achieving these goals means promoting a high level degree of environmental awareness at all Saipem projects, sites and offices.
Over 2015, Saipem has also strengthened its commitment in various aspects, among which considerable importance is given to:

- Energy efficiency: energy analyses for some offices, vessels and rigs have been planned and implemented over the years. Legislative Decree No. 102/2014 (Italian enactment of European Directive 2012/27/UE on energy efficiency) has made the preparation of energy analyses for Saipem sites in Italy a legal obligation to be fulfilled no later than December 2015. The analyses for the sites subject to the above-mentioned directive were therefore transmitted to ENEA, the relevant authority, in December 2015.
- Prevention of a 231 crime: Saipem has organised new editions of the training and awareness courses on 231 environmental crimes and the specific issues linked to Saipem's operational bases. The training was addressed to Saipem HSE personnel in Italy and other people interested or involved in the management and control of the '231 Standards' on the environment.
- Waste management: attention to the reduction of waste production, both in terms of quantity and hazardousness, was strengthened in the second half. The option of 'monetising' wastes was assessed every possible time and its accounting shown at corporate level.
  This activity's first results and savings will be available at the start of 2016.
- Environmental awareness: various initiatives to motivate and make personnel aware of environmental sustainability were launched on 'World Environment Day (WED)' in June.
- The traditional day dedicated to families took place in September, as it does every year. 'Saipem Free Entry'. It was possible for employees and their families to visit the offices, lunch in the company restaurant and participate in numerous play and educational activities over the day. The day, taking up the theme put forward by Expo 2015, was dedicated to the fight against the waste of resources.

Human resources and health

Workforce

During 2015, project closure activities, in particular those with 'direct hiring' construction modes, and the start of the rationalisation of the foreign operating structures, led to a consistent reduction of the workforce, down from 49,580 resources (of which 19,621 with critical skills) in 2014 to 42,408 resources (of which 17,110 with critical skills) at the end of 2015. The countries most impacted by this workforce reduction are Mexico, Canada and the United Arab Emirates, due to the start of the demobilisation plans regarding some onshore projects nearing completion stage. South America is a further geographical area for rationalisation, especially with regard to the onshore drilling activities.
The trend for the growth in the female managerial workforce is confirmed (increasing in 2015 by 0.5%), while the local managerial workforce, especially following the release of resources, recorded a drop in 2015 of 0.6%.

Payroll

In line with employment trends, the value of the payroll decreased to €2,222 million at the end of 2015 compared with €2,408 million at year end 2014.
At the same time, there was a decrease in the average pro-capita salary, which went from €49.2 thousand in 2014 to €48.1 thousand in 2015, above all following the lay-off of resources employed through direct hiring in areas characterised by higher costs (Canada).

Human Resources Management

The market scenario and the highly damaged international situation require even more effort from the Human Resources Management function. This includes the adoption of tools that satisfy the requirement of a greater alignment than what the increasingly competitive reference market requires, as well as meeting the legal, trade union, transparency and cross-department aspects in managing all resources.

Within this context, 2015 saw the Human Resources Management function press on with its efforts to develop and roll out tools to optimise the integrated group-wide management of the Company's processes, in accordance with its direction, coordination and control remit with regard to the decentralised Human Resources offices. These efforts included issuing standard documents establishing uniform work rules and processes that are aligned with Company targets.

Among the support tools issued over 2015, mention should be made of the Visa System through which immigration flows of international personnel into Italy is optimised, permitting the regulatory aspects regarding immigration to be monitored more carefully and also improving the process with reference to costs.

Operations to improve the HR Management Portal also continued over 2015. This is a web-based tool that integrates personal, administrative and management data from the different IT systems, allowing analyses to be processed from a Business Intelligence viewpoint as opposed to the main management phenomena. This is achieved through broadening the areas of application and the release of a new 'International Mobility' dashboard that gives the users the opportunity to monitor, simply and quickly, the geographical transfer of expatriate, Italian and international personnel world-wide and its mobility within the different countries where Saipem operates.

In addition to the management issues, it is important to point out how two Business Line transfer procedures affecting a total of 457 resources were concluded over 2015: more specifically, the 108 resources belonging to the Environment Line in the Fano and San Donato Milanese offices were transferred to Syndial, effective from August, and 349 resources belonging to the Rome-Vibo Project Execution Centre Line were transferred to Tecnomare, effective from January 1, 2016.

Industrial Relations

The current global political and economic scenario, characterised by strong tensions, added to the world context where Saipem operates, characterised by the management of the diversity arising from the socio-economic, political, industrial and regulatory contexts, increasingly demands an industrial relations approach which permits positive, transparent and fair relations based on the utmost respect for the regulations to be maintained with the trade union interlocutors as far as possible.
The Company's industrial relations model has thus for many years now focused on ensuring the harmonisation and optimal management of relations with trade unions, employers' associations, institutions and public bodies in line with Company policies.
With regard to industrial relations in Italy, the political/trade union scenarios consequent to Eni's decision to deconsolidate Saipem have postponed the signing of the Industrial Relations Protocol, designed to strengthen the participatory model through which the centrality of information, negotiation and meetings between the Company and trade unions is reaffirmed.

There were over 60 meetings with the trade union representatives in the various offices and about 20 meetings with the national organisations for the energy & oil and maritime sector in 2015. The high level of negotiation with the trade unions produced important results in terms of meetings and agreements in the wake of the consolidated relations.

It is important to stress how the Company's top management twice met the General Secretaries of the Energy & Oil sector over the year: the first time to present the strategies that the new Company management intends to implement and the second to illustrate the main actions to be implemented following the start of the 'Fit for the Future' project, with a particular focus on the impacts on the workforce and resources.
Despite the critical issues in the previous year, the Company and the trade unions also reached an agreement in 2015 on the attendance bonus, which defined the amounts paid in May 2015 on the basis of the 2014 results, and signed an agreement for the years 2015-2016, which defines the profitability and productivity figures to be included in the final balance for assessing whether the bonus can be paid, and the amounts, and also defines the bonus parameters linked to individual absenteeism.
In the context of a general restructuring of the Company, two agreements for the transfer of business lines were negotiated and concluded in 2015. The first, in July, concerned the 'Environmental Services' business line transferred to Syndial. The second, in December, dealt with the 'Rome-Vibo Execution Centre' transferred to Tecnomare.
Two mobility procedures, activated by trade union agreements, were also concluded in 2015. These concerned the Arbatax branch and the Drilling Italia sector and led to the termination of employment of 57 resources.

In the maritime sector, a supplementary agreement was signed dealing with issues regarding the legal protection of captains and chief engineers and the management of 1-1 shifts for officers in particular.

In the context of International Industrial Relations, it is important to note the renewal of some important collective agreements, which concerned the energy and construction sector, with renewals made in Nigeria; the Drilling sector, with the renewal of the agreements signed in Peru and Nigeria; and the Fabrication sector, with the important collective agreement signed in Canada. Signing the above-mentioned agreements also offered the possibility of consolidating their content through the strengthening of the dispute resolution procedures and the inclusion of clear references to the Company's Code of Ethics. With particular reference to this latter aspect, the Company endeavoured to ensure its trade union partners full ownership of the principles at the basis of Saipem's business approach. This is to ensure that they are fully applied and shared through the commitment of the trade unions to respect the principles and spread their contents among the workforce.

2015 also saw the renewal, for the period 2015-2018, of the Construction Barge Agreement with the International Transport Workers' Federation (ITF) covering the seafarers employed on twelve vessels in the Saipem fleet.

Senior Management Development, Organisation, Compensation and Administration

With reference to the company organisation, the new organisational structure for staff activities and business support resulting from the following main operations was formalised over 2015:
- establishment of the Strategies and Innovation function;
- re-allocation of the General Counsel, Company Affairs and Governance function to report directly to the CEO;
- re-examination of the Function of the CFO with greater focusing of the structure on the development and implementation of the new autonomous management operating and organisational model for Saipem's financial activities;
- integration of industrial risk management activities into the Integrated Risk Management Function;
- re-organisation of the Quality activities by seeking their greater integration into the production processes.

With regard to the operating structures, the operating model for engineering activities has been redefined guaranteeing the Business Units direct management of the business specific engineering responsibilities and at the same time safeguarding the cross-business synergies.
Adjustment of the subsidiaries' and branches' organisational structures to the models/organisational structures introduced is ongoing.

In the context of the improvement initiatives:
- development of the programme to improve the company regulatory system is ongoing within the framework of continuously strengthening the company governance;
- a project has been started to re-examine the methodological approach to evaluating the company positions. This is aimed at valorising the content of some roles which are characterised by high levels of technical and specialist know-how that is critical for Saipem's business.

Given the current scenario, Saipem continues to recognise the strategic value of human resources development as a fundamental element for ensuring an effective definition of its workforce in qualitative terms and works to ensure that the development of internal resources is based on processes that are closely linked to the Company's business needs.

The trend of international markets and the particularly critical economic-financial conditions continued to dictate a prudent and focused approach to the definition of compensation policies in 2015.
Accordingly, variable incentive plans (including project incentives) and retention systems, which continued to be subject to careful analysis and rationalisation, have been resized or adopted on a

selective basis, taking into account the specific characteristics of the relevant labour markets and current business trends and future outlooks. Utmost care has been taken in defining the annual pay policies in terms of selectivity paying particular attention to the identification of critical resources that are difficult to find on the market with a view to improving the compensation positioning.
Following the final reckoning of the Company objectives and assessments of the management's 2014 performances, annual individual financial incentives were paid to a total of 223 senior managers (representing 54% of all senior managers) with a total cost outlay of €7,024,500. The 2015 Remuneration Policy guidelines include the definition of challenging 2015 objectives and their declination in manager evaluations.
July saw the allocation of deferred monetary incentives to 228 senior managers (representing 55% of all senior managers) with a total cost outlay of €3,755,800.
The Board of Directors, continuing 2014, approved the Long Term Monetary Incentive Plan 2015-2017 (IMLT) for senior managers. This has both Total Shareholder Return and ROACE as performance parameters in order to better steer and align managerial action to the objectives defined by the Company's Strategic Plan.
The plan was implemented in October 2015 for 98 senior managers (representing 24% of managerial resources) with a total cost outlay of €3,913,800.
Saipem's Remuneration Policy, defined for the purposes of the Remuneration Report, has been confirmed as being consistent with the Governance Model adopted by the Company and the recommendations of the Self-Governance Code.

The '2015 Remuneration Report' was drawn up in compliance with Article 123-*ter* of Italian Legislative Decree No. 58/1998 and Article 84-*quater* of Consob Issuer regulations and was approved by the Board of Directors of Saipem on March 10, 2015, with a favourable vote later expressed by the Shareholders' Meeting on April 30, 2015 (for further details, see the Remuneration Report published on the Saipem site).

The process to review the company policies on the management of managerial resources in a Group saving perspective was started during the year.
The commitment to standardise the critical aspects regarding the management of expatriate personnel was addressed under this profile, by drawing up clearer forecasts and identifying fixed and fair criteria also from the viewpoint of efficient management of the integration between financial and human resources.
In line with the objective of strengthening Saipem's image, the awareness of its business and its capability to attract young diploma holders, it is continuing its collaboration with the 'A. Volta' IHS of Lodi and the 'E. Fermi' IISS of Lecce in the programme called 'Synergy'.
The collaboration with the Polytechnic of Milan continues and has been made concrete by the signing of a true partnership aimed at autonomous employer branding activities. The university chair called 'Saipem International Chair' is also confirmed. It focuses specifically on Project Management in the energy and plant systems sector and is aimed at Italian and foreign students.
The employer branding initiatives have also been supported by the world-wide dissemination of the e-recruitment technologies aimed at supporting the whole selection process.

A training matrix on Compliance and Governance for application at group level has been defined and disseminated at worldwide level with the purpose of consolidating people's awareness of Compliance and Governance and giving greater clarity and coherence to the numerous training initiatives started over the last two years. This tool defines, for all company roles, the training initiatives designed to cover the specific needs on different Compliance and Governance issues and ensures that their provision to all the company population is monitored.
Training on the subjects of Anti-Corruption, Organisational Management and Control Model and Internal Control System over Corporate Reporting was also implemented in the second half of 2015.

(units)	Average workforce 2014	Average workforce 2015
Offshore Engineering & Construction	16,840	20,002
Onshore Engineering & Construction	19,831	14,244
Offshore Drilling	2,725	2,619
Onshore Drilling	7,892	7,480
Staff positions	1,679	1,483
Total	**48,967**	**45,828**
Italian personnel	7,491	7,340
Other nationalities	41,476	38,488
Total	**48,967**	**45,828**
Italian personnel under open-ended contract	6,722	6,666
Italian personnel under fixed-term contract	769	674
Total	**7,491**	**7,340**

(units)	Dec. 31, 2014	Dec. 31, 2015
Number of engineers	7,908	7,263
Number of employees	49,580	42,408

The training envisaged by Italian Legislative Decree No. 81/2008 for institutional roles such as Employers, Executive Directors and Managers remains at heart of the Company priorities.
The compulsory training with reference to the State/Regions agreement and intended for all Company employees is also nearing completion.

Occupational Health and Medicine

As regards Occupational Health and Medicine, in 2015 Saipem consolidated its routine activities and launched new initiatives. There was a total of 5,902 Saipem SpA periodic preventive medical check-ups for Italy and abroad (overseas assignments and contracts). 314 employees were reviewed, including 99 examinations following repatriation/sickness and 264 additional examinations upon fitness-to-work visits.
The 'Pre-Travel Counselling' programme continued in 2015 for all Saipem SpA personnel destined to work abroad (876 employees trained in 2015). This programme is updated according on a regular basis to international health alerts. Since its launch in 2008, the programme has provided approximately 7,600 employees with precise, accurate information concerning the risks connected with their destination, as required under the applicable legislation.
The 'Sì Viaggiare' app continued to be updated, as an integral part of the Travel Medicine training process, with global health alerts (Ebola, Zika, MERS, etc.). To date, the app has been downloaded 13,015 times on the Android, Apple and Windows platforms.
Awareness raising of mandatory and highly recommended vaccinations in particular continues for Saipem SpA personnel both in Italy and overseas. There was a total of 793 vaccinations.
In 2015, Saipem SpA joined the WHP (Workplace Health Promotion) programme for the second year. The initiative is validated by the Region of Lombardy for the areas of competence of the Milan Local Health Authority 2 (San Donato Milanese). It will also continue in 2016, and Saipem should achieve recognition as a 'Health promoting workplace' - 2015-ENWHP.
The One Stop Haematuria Clinic (OSC) completed its five-year lifespan. The project was initiated by the University Urology Division of the Policlinico San Donato, with which Saipem entered into an agreement in 2010 for the early diagnosis and treatment of monosymptomatic haematuria.
In order to facilitate professional decisions via direct knowledge of workplaces and provide on-the-job training as part of the education process, Saipem and the Università Cattolica del Sacro Cuore continued the internship and professional guidance project, followed and verified by a tutor designated by the University and a Company officer. The project was terminated in December 2015.

The Saipem Cardiovascular Disease Prevention Programme (CVDPP) is a comprehensive project for tackling multiple risk factors for cardiovascular disease. This large-scale screening initiative aims to identify the cardiovascular risks of employees working in operational sites. The programme was implemented across 148 sites. All employees with pre-diagnosed cardiovascular disease and those with at least one cardiovascular risk are carefully monitored via the risk factors follow-up programme, including via telecardiology. The programme is currently being revised and redesigned in order to develop a structured monitoring system of employees enrolled in the Risk Factors Follow-up Programme (RFFP).
The telecardiology programme has been implemented at 55 sites. In total 3,611 ECGs were sent to the reference centre for further in-depth evaluation.

In line with international days celebrated by the World Health Organisation (WHO), Saipem organised several events to celebrate among others World Diabetes Day, World Heart Day, World Hypertension Day, World Tuberculosis Day, World Cancer Day, World AIDS Day, World Tobacco-Free Day, World Blood Donation Day and World Health Day. In this way the Company reinforces its commitment to improving the health culture among its employees. Informative material was developed for each event and distributed to employees by way of support.

In 2015, the Obesity Control Programme introduced healthier options in Saipem canteens to allow staff to obtain a clearer indication of bromatological content and calorific value and to encourage precisely defined portions in the servings. This initiative was implemented in 32 new operating sites.

Information technology

During 2015 the ICT function continued to pursue its cost containment targets, in line with those achieved in 2014. The evolution initiatives on the Saipem ICT systems were therefore focused on further consolidating the results obtained in both the application and infrastructural environment.
The Procurement Plan developed in liaison with the Procurement function has allowed provision and service contracts in the ICT area to be reviewed and, to a large extent, renegotiated with the purpose of obtaining more favourable conditions and prices.

In the management application sector, the release of the new Business Intelligence and consolidated financial statements environment was completed. Saipem adopted the high-performance SAP HANA platform, with the new operating features. The performance results have been found to be considerable, as in the project expectations, visibly reducing the times dedicated to reporting and the consolidation cycle for the Company's financial statements.
As regards new Business Intelligence initiatives, the new interactive reporting for the Procurement and HR areas has been released.
In the SAP R/3 area, the roll-out activities for Saipem's Mexican companies, for Saipem Norge AS and the new Dutch company dedicated to financial activities have been concluded; finally, the follow-up to the rollout complex of Saipem do Brasil has been managed. Alongside SAP R/3, full utilisation was achieved for the SAP SRM e-Procurement system.

In the HR area, we have completed the release of the Oracle Peoplesoft HCM application for the Talent Management module, as well as the international recruitment module for Saipem SA, based on Oracle Taleo and one of the first 'in cloud' application solutions used by Saipem. The roll-out of the in-house Saipem solution dedicated to the international payroll is also continuing. Its supervision is localised at Saipem India Projects Private Ltd in Chennai, with significant savings in management costs. Still in the HR area in Chennai, the development of the Falcon software suite is continuing: this is an application solution to complement Peoplesoft for international HR management.

Finally, the activities to prepare the new Saipem internet site, which is characterised by high usability and the ability to be adapted to the device it is consulted by, were carried out over 2015.
The business support initiative programme intends to confirm Saipem's strategy of progressively digitising the company work processes.
Business support solutions carried out during the year focused mainly on the adoption of innovative tools targeted at increasing the efficiency and quality of engineering design and construction activities and on the automation of business processes through the optimisation of existing applications.

New processes for automated drawing generation based on the modelling tool Intergraph SmartPlant 3D have been set up and new solutions for the cross-checking of engineering data based on Aveva Engineering and Intergraph Fusion were released with the aim of improving data quality.

In terms of new business support initiatives, the year brought the growth in use of the new on site pipe spool management application, which is an excellent example of the type of applications ICT is currently working on for the business areas. Similarly, specialist solutions to promote the management of the various management phases of project documents, particularly the automated integrated management of client comments, as well as further applications dedicated to the management of technical documents on board vessels and at fabrication yards, were rolled out. The solution for managing client comments received an award in the 'Saipem Innovation Trophy 2015'.
After a period of net limitation of investment, new initiatives have been started in the infrastructural area, in particular management tools and optimisation of the centralised infrastructures, using tools like Splunk, and in the roll-out of the Cisco Webex solution for the broadcast of the low-cost videoconferencing service.

The ICT presence created in 2013 at Chennai in Saipem India Projects Private Ltd for offshoring some infrastructural activities has been further developed according to plans: the team has reached 35 people and a first level 24x7 manning service has been activated for the international management of servers, networks and applications. This was extended in 2015 to cover ICT security and some technical monitoring. Over 70% of service tickets in Saipem for international server management issues were managed and resolved by the Chennai team, meaning service levels were raised despite a reduction in overall costs.

Governance, compliance and security processes were all carried out successfully according to schedule during the year. The adoption of the CA RCM system for Role Compliance Management, dedicated to standardising the application profiles of the main company software, already covers all the SAP, Oracle Peoplesoft HCM and the main software application environments so as to complete the automation of the profile-user association process enabling the internal client manager figures to carry out the control role provided for by the regulations. This approach was combined with a cutting-edge use of IT security technologies and is designed to mitigate the security risks associated with data processing by the Company information systems. Finally, in the security area, the coverage perimeters of the digital credentials management system, Oracle FastLogon, have been extended. This allows access to the main company applications in a secure way making use of the Single Sign-On.

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 16, 2016, and published on Saipem's website at www.saipem.com under the section 'Corporate Governance'.
The Report was prepared in accordance with the criteria contained in the 'Format for Corporate Governance and Shareholding Structure Reporting - 4th Edition (January 2015)' published by Borsa Italiana SpA and in the Corporate Governance Code.
The Report provides a general and complete framework 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 risk management). Finally, it describes the composition and operation of the administration and control bodies and their committees, roles and powers.
The Report also provides information on procedures adopted with regard to 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties', which can be consulted on Saipem's website, www.saipem.com, under the section 'Corporate Governance', the communication policy adopted for institutional investors and shareholders, the processing of company information, and finally on the internal management and disclosure to third parties of Company documents and information concerning Saipem, with particular reference to inside information, as dealt with in the Company's 'Market Abuse' procedure.

The criteria applied for determining the remuneration of Directors are illustrated in the '**2016 Remuneration Report**', drafted in accordance with Article 123-*ter* of Legislative Decree No. 58/1998 and Article 84-*quater* of the Consob Issuers Regulation.

Risk management

Saipem implements and maintains an adequate system of internal control and risk management, composed of instruments, organisational structures and regulations designed to safeguard Company assets and ensure the effectiveness and efficiency of Company processes, reliable financial reporting, as well as compliance with laws and regulations, the Articles of Association and Company procedures. To this end, Saipem has developed and adopted an Integrated Risk Management model that constitutes an integral part of its internal control and risk management system. It has done this with the aim of obtaining an organic and overall vision of the main risks for the Company, ensuring greater consistency of methodologies and tools to support risk management, and strengthening awareness, at all levels, of the fact that an adequate assessment and management of risks may impact on the achievement of objectives and on the Company's value.

The structure of Saipem's internal control system, which is an integral part of the Company's organisational and management model, assigns specific roles to the Company's management bodies, compliance committees, control bodies, Company management and all personnel. It is based on the principles contained in the Code of Ethics and the Corporate Governance Code, as well as on applicable legislation, the CoSO Report and national and international best practices.

Additional information on the internal control and risk management system, 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 in the Shareholding Structure document.
Saipem is exposed to risk factors related to the Group's business activities and to the activities of the industry in which it operates. The occurrence of such risks could have negative effects on the Company's business and on the income, balance sheet and/or financial situation of the Saipem Group.

In addition, it should be noted that, during 2015, risk management activities were integrated into industrial risk management in the ambit of the Integrated Risk Management Function.

These risk factors have been assessed by management in the framework of drafting the financial statements, and for each single risk, where deemed necessary, the liability was set aside in a special fund. For information relating to the provision for risks see the 'Notes to the consolidated financial statements'.

For a full description of the financial risks, please refer to the 'Notes to the consolidated financial statements - Financial risk management'.

Risks related to legal proceedings involving the Company

The Group is a party in judicial, civil, tax and administrative legal proceedings. For a summary of the most significant cases, see the note 'Guarantees, commitments and risks - Legal proceedings' in the 'Notes to the consolidated financial statements'.
Given the intrinsic and uneliminable risk that characterises legal proceedings, while the Company has carried out the necessary assessments, including on the basis of applicable accounting standards, it is not possible to exclude the possibility that the Group might in future have to face payments for damages not covered by the legal fund, or which are covered insufficiently, or which are uninsured, or which are of an amount greater than the maximum sum that may have been insured. Furthermore, in relation to legal proceedings brought by the Company, should it not be possible to settle the disputes by means of negotiation, the Company may have to bear further costs associated with the length of court hearings.

Saipem sets aside provisions for contingencies primarily in relation to legal disputes. Determining appropriate amounts for provisions is a complex estimation process that includes subjective judgements on the part of management, including information acquired by external consultants that provide the Company with legal support.

Risks related to relations with strategic partners

Saipem carries out part of its activities in partnerships, on the basis of contracts that include the joint liability of the Company in the event of contract breaches by the partners. In some countries where it operates, the Group executes its own development programmes by means of joint venture agreements with local or international operators.

Despite the measures implemented by the Company to identify suitable partners and to manage activities carried out in partnerships pursuant to the contract terms, when the client suffers damage due to a breach of contract on the part of an operator associated with the Company, Saipem may be obliged to complete the activities originally assigned to the non-compliant partners or to pay damages caused by its partners, without prejudice to the possibility of exercising its right to claim for damages against the non-compliant associated enterprise.

Furthermore, in such circumstances, the Group may not be capable of maximising the profitability of the contracts carried out in partnerships due to the lower level of control exercised over the various phases of a project carried out by the partners or because of the possible inability of the strategic partners to assess determined elements of cost related to parts of the scope of work assigned to them.

In addition to the above, the possible lack of agreement with international or local partners regarding the methods and terms of a project's development, or the management of it, could impact negatively on the capacity for development of certain projects on the part of the Saipem Group. The Group may, therefore, have to modify or reduce its objectives for development due to difficulties in relations with its partners.

The possible exit of strategic partners from joint venture arrangements may likewise determine the renegotiation with third parties of any contracts entered into by the joint venture itself.

Risks related to the Group's profitability

The markets in which the Group operates can be aggregated into two macro categories: (i) the EPCI (Engineering, Procurement, Construction, Installation) Lump Sum Turn Key (LSTK) market; and (ii) the Offshore and Onshore Drilling market.

With reference to the EPCI market, the Group's profitability is strongly conditioned by the structure of the contract negotiated with the client, who may require a significant commitment of financial resources both in the initial stages of the project (i.e. for the issuing of purchase orders to suppliers, the mobilisation of personnel, the mobilisation or technical preparation of the vessels involved, as well as the activation of bank guarantees for the project) and in the subsequent phases for the achievement of the milestones agreed upon in the contract and at which point it is possible to issue invoices to the client. Furthermore, in project execution phase, it is necessary to negotiate payments in relation to variations in the scope of work requested by the client (change orders) or for variations for the correct realisation of the work not requested explicitly by the client (claims). In practice, contractor and client cooperate in the search for an agreement that satisfies both parties, with the aim of not compromising the correct performance of works and of not delaying the completion of the project.

The Company has equipped itself with various techniques that it implements beginning from the negotiation phase with the aim of obtaining the most favourable conditions, such as contractually agreed advance payments, and of monitoring its contracts through stringent procedures to obtain the certifications necessary to proceed to invoicing, or by constant reporting to the client of all changes to the contract or to project execution, so as to maintain positive or neutral cash flows during project execution.

The Drilling market, on the other hand, is characterised by rates for the sale of services, which include remuneration of the vessel deployed (typically the contractor's property), remuneration of personnel and payment of ancillary costs (i.e. subcontractors for accessory services). The profitability of the Drilling business is, therefore, influenced mainly by two factors: (i) market rates at the time the contract is renewed and (ii) the Drilling fleet utilisation rate. As regards point (i), it should be noted that this factor is influenced very little by the contractor, who, rather, suffers its positive or negative effects in relation to the deadline for active contracts. Furthermore, this factor is partially offset through operating cost reductions (the cost of subcontracts and, in some cases, labour). With reference to point (ii), this factor can be managed by the contractor through its own compensation policies and its own business model.

In this regard, the model adopted by Saipem encompasses the negotiation of long-term contracts which include a termination fee in the event of early cancellation for convenience by the client, which ensure the client has access to the vessels known and inspected over long-term periods at average rates below the peak market rate, and which typically allow the contractor a use of the fleet above the market average. The effectiveness of the actions described is, however, influenced by the economic and market context and by the Company's commercial and operating circumstances.

Risks related to the protection of information

In carrying out its activities, the Group relies on information and data of a sensitive nature, processed and contained in documents, including in electronic format, unauthorised access to which and diffusion of which may cause damage to Saipem.

Although the Company adopts information security protocols and policies, it cannot be excluded that it may have to face threats to the security of its information infrastructure or unlawful attempts to access its information system (cyber attack) which could lead to the loss of data or damage to intellectual property and assets, as well as the extraction or alteration of information or the interruption of production processes.

Furthermore, interruptions to or breakdowns in the information system could compromise the Group's operational effectiveness, provoking errors in the execution of operations, inefficiencies and procedural delays in the execution of activities.

Finally, the Company may have to deal with attempts to obtain physical or computer based access to personal, confidential or other sensitive information found within its facilities.

Risks related to possible fraud or unlawful activities by employees or third parties

The Group is subject to the risk of fraud and/or unlawful activities on the part of employees and third parties. Specifically, in carrying out its activities the Group relies on subcontractors and suppliers that could commit fraudulent acts in concert with employees to the detriment of the Company. Furthermore, the Group operates in various countries characterised by a high level of fraud and corruption, referred to in the 'Corruption Perception Index' of Transparency International.

As regards this risk, the Company carries out periodical audits and checks, including with the assistance of external consultants. Although Saipem carries out these audit and verification activities periodically and has implemented, and continually updates, an internal control system for the Group companies, a Code of Ethics and a model according to Legislative Decree No. 231/2001, as well as an organisation management and control model for the Group companies in foreign countries, it is not entirely possible to exclude fraudulent or unlawful conduct occurring.

Finally, Saipem makes available to its employees and stakeholders a confidential information channel overseen by the Compliance Committee, through which it is possible to forward reports concerning problems related to the internal control system, Company financial reports, Company administrative liability, fraud or other matters (i.e. breaches of the Code of Ethics, mobbing, theft, security, etc.). Further information can be found in the specific detailed section in the Board of Statutory Auditors' Report to the Shareholders' Meeting.

Risks related to the political, social and economic situation of the countries in which Saipem operates

Substantial portions of Saipem's operations are performed in countries which may be politically, socially or economically unstable. Developments in the political framework, economic crises, internal social unrest and conflicts with other countries may temporarily or permanently compromise the Saipem Group's ability to operate cost efficiently in such countries, as well as its ability to recover Company assets therein, or may require specific measures (where possible in compliance with Saipem corporate policy) to be taken at an organisational or management level in order to enable the continuation of activities underway in conditions that differ from those originally anticipated.

Additional risks associated with operations in these countries are: (i) the lack of well-established and reliable legal systems and uncertainties surrounding the enforcement of contractual rights; (ii) unfavourable developments in laws and regulations and unilateral contract changes, leading to reductions in the value of Saipem's assets, forced sales and expropriations; (iii) restrictions on construction, drilling, imports and exports; (iv) tax increases; (v) civil and social unrest leading to sabotage, attacks, violence and similar incidents; (vi) corruption; (vii) acts of terrorism, vandalism or piracy. Such events are characterised by limited foresee ability and can occur and develop rapidly.

Saipem periodically monitors risks of a political, social and economic nature in the countries where it operates or intends to invest, according to a risk assessment model that is in line with Italian Legislative Decree No. 81 of April 9, 2008 covering the protection of health and safety in the workplace. Specifically, Saipem has adopted an articulate security model based on the criteria of prevention, precaution, protection, information, promotion and participation, with the objective of reducing risks deriving from the unlawful actions of physical or legal persons who expose the Company and its assets, people, goods and image to potential damage.

In cases where Saipem's ability to operate is temporarily compromised, demobilisation is planned according to the criteria of protecting personnel and those Company assets that remain in the country subject to political instability, and of minimising interruptions to operations through the adoption of solutions that render more rapid and less costly the recommencement of ordinary activities once favourable conditions are restored. These measures can cause increased costs and a negative impact on revenues in the countries concerned, to the detriment of the economic results expected.

Risks related to dependence on key personnel and specialist personnel

The Company depends to a significant degree on the professional contribution of key personnel and highly specialised individuals. By key personnel is meant 'Senior Managers with strategic responsibilities' (further information can be found in the specific detailed section in the 2015 Remuneration Report). By highly specialised individuals, on the other hand, is meant personnel who, on the basis of their skills and experience, are vital to the execution of projects and to the growth and development of Saipem.

If this relationship between the Company and one or more of the resources mentioned should be interrupted for any reason, there are no guarantees that the Company can restore it quickly using equally qualified individuals who can ensure the same operational and professional contribution in the short term. Furthermore, during expansive phases of the market, the Group could suffer delays in the hiring of personnel due to greater demand for specialised resources, which in turn could determine negative impacts on the results and reputation of the Group.

In addition, the development of future strategies by Saipem will depend to a significant extent of the Company's ability to attract and retain highly qualified and competent personnel.
The continued expansion of the Company into areas and activities that require further knowledge and skills will moreover make it necessary to employ management and technical personnel, both international and local, with different competencies.

The breaking off of relations with one of the key figures, the inability to attract and retain highly qualified personnel and competent management personnel, or to supplement the organisational structure with individuals capable of managing the growth of the Company, could have negative effects on Saipem's future business opportunities.

The Company adopted the organisation and control model envisaged by Legislative Decree No. 231/2001 ('Administrative responsibility of legal persons, companies and associations, including those without legal personality, according to Article 11 of Law No. 300 of September 29, 2000') in order to create a system of rules aimed at preventing the adoption of unlawful conduct deemed potentially significant for the purposes of the application of such regulation.

Risks related to incidents involving strategic assets

The Group possess numerous assets, in particular specialised vessels, fabrication yards and logistical basis, which are used in the execution of EPCI projects and Drilling services.
With regard to all vessels in the Group's fleet, Saipem periodically renews certifications issued by the appropriate classification bodies and by flag state authorities. Specifically, it should be noted that these certifications must be confirmed on a yearly basis following inspections that the classification bodies carry out on board the vessels. In addition, on the basis of the technical characteristics and type of each vessel, Saipem's fleet must satisfy the requirements of the international regulations applicable in the maritime field (IMO - International Maritime Organization conventions, such as MARPOL, ISM, ISPS, etc.).

The Group's assets are also subject to the normal risks associated with ordinary operations and to catastrophic risks linked with the weather and/or natural disasters.

In particular, the risks connected with ordinary operations can be characterised by: (i) mistaken or inadequate execution of manoeuvres and work sequences that lead to damage for assets or facilities; (ii) mistaken or inadequate ordinary and/or extraordinary maintenance.

Despite the fact that Saipem has specific know-how and competencies, has implemented internal procedures for the execution of its operations and regularly carries out maintenance work on its assets in order to monitor their quality and level of reliability, it is not possible to exclude the occurrence of incidents on assets or facilities during the execution of works.

Finally, the Group sustains significant costs for the maintenance of its proprietary assets. These can be influenced negatively by events such as: (i) increases in the costs of labour, materials and services; (ii) technological upgrades; (iii) changes to laws and regulations covering health, safety and environmental protection.

Risks related to the volatility of the Group's economic and financial results on the basis of payments agreed on a cost-to-cost basis for works progress

In accordance with common practise in the Oil & Gas industry, the Group recognises revenues for multi-year projects in both the Offshore and Onshore Engineering & Construction sector in relation to the progress of works determined using the cost-to-cost method. Consequently, the Company periodically analyses the contract value and the estimation of costs during works execution and carries forward and reflects any rectifications made in proportion to the percentage of the project completed in the period.

In the event that these adjustments result in a reduction of the profit previously recognised in relation to a project, the Company is necessarily compelled to reconcile the result of that project. This reconciliation may be material and represent a reduction in the net income for the year against which the adjustment is recorded.

The current project cost estimations and hence the profitability of long-term projects may, therefore, change following the uncertainties associated with this type of contract, even if they were reasonably reliable when made. In the event of significant cost adjustments, the reductions in profit over the whole project life cycle may have a material impact on the current financial year and on future years.

Furthermore, change orders, which are an ordinary and recurring part of Saipem's activities, may increase (sometimes substantially) the scope of work and hence the costs associated with it. Therefore, change orders, even if beneficial in the long term, can have the effect in the short term, if not approved by the client in a timely and adequate manner, of reducing the overall margin of the project with which they are associated.

In the event of a significant review of cost estimations or of revenues on a project, the Group would be obliged to effect adjustments of those estimates. Although the actual estimations on multi-year projects are deemed most likely correct and are carefully measured, the Group is nevertheless exposed to risks related to the possible volatility of progress in execution phase.

In addition, the disputes associated with change orders may lead to a reduction in revenues and margins previously declared and hence in current profit.

Risks related to the mistaken or incomplete assessment of costs in determining the bid price for lump sum turnkey contracts

The Company operates in the highly competitive sector of services for the Oil & Gas industry, characterised by lump sum turnkey contracts. Specifically, these multi-year contracts entail phases of engineering, procurement of equipment, materials and services, construction and installation and, in some cases, drilling in areas that may be remote and in waters of various depths.

The preparation of bids and the determination of price are the outcome of an accurate, precise and timely estimation exercise that involves every Company department and which is further integrated by a risk assessment to cover the areas of uncertainty inevitably present in each bid.

Since one is dealing with multi-year projects, these assessments are carried out with the aim of mitigating any increases in labour, materials and services costs which are included in the Contingencies (costs estimated in relation to operational risks) or, if possible, through the insertion in the contract of clauses that index link prices.

Despite these efforts, over the life cycle of the contract the costs and, consequently, the margins that the Company realises on lump sum contracts, could vary significantly from the sums originally estimated for various reasons linked, for example, to: (i) bad performance/productivity of suppliers and subcontractors; (ii) bad performance/productivity of Saipem's workforce; (iii) changes in working conditions; (iv) worse weather conditions than those anticipated against the statistics available at the time; (v) a rise in the price of raw materials (i.e. steel, copper, etc.). All of these factors and other risks inherent in the sector in which Saipem operates may imply different costs and, subsequently, different margins from those originally estimated and may lead to a reduction, perhaps even significant, of profitability or to losses on projects.
The occurrence of these significant differences would damage the Company's reputation in the Oil & Gas industry and vis-à-vis its clients.

Risks related to the levying of guarantees

In the framework of contracts for the performance of engineering, procurement, project management, construction and drilling services, before signing the relevant contract the Saipem Group, in compliance with contractual practices in the industry, and on the request of clients, delivers first demand bonds to cover the risk of contract execution (performance bonds) or to cover advance payments or to cover undertakings in bid phase (bid bonds).

The banks issuing such guarantees require counter guarantees form the Company or from other companies in the Group.

Given the nature of first demand bonds, they may be levied by the clients even in the absence of a valid title and, at that point, the legal protections available urgently in the various jurisdictions referred to in the guarantees in order to decide over any dispute arising may not allow the levy to be blocked.

In the event that a client calls up a guarantee, and in the absence of an urgent judicial proceeding that prevents it, Saipem, according to the circumstances, must immediately pay the amount levied by the client to the same financial institute that issued the guarantee, and only then avail of the possibility to bring forward its own case at the contractually agreed court.

Risks related to relations with trade union organisations

Generally speaking, the Group's activities may be impacted by strikes or other forms of industrial action on the part of some categories of worker, which could lead to interruptions in operations with consequent potential delays in production in offices, fabrication yards, logistical bases, on specialist vessels and on sites during project executive phase. These risks may also be present in operations carried out by partners, subcontractors and suppliers selected by Saipem.

In the framework of the turnaround planned called 'Fit for the Future', a rationalisation in staff levels is envisaged, which will lead to an overall reduction in the number of the Group's human resources. Consequently, this could lead to interruptions in operations during strikes or other forms of industrial action or to period of trade union tension.

Risks related to the fall in the price of oil

The Saipem Group offers services with a strong bias towards activities in the Oil & Gas sector in remote areas and deep waters. In the event that the price of oil should continue to remain low over the long term, the level of demand for Offshore and Onshore Engineering & Construction services and Onshore and Offshore Drilling may be heavily impacted.

It is not possible to quantify with a sufficient degree of approximation the impact on individual contractors of a strongly negative market context such as would materialise if the price of oil were to stay at its current low levels over the next few years. However, it is possible to hypothesise that, in such circumstances, there would be: (i) a progressive consolidation among clients (with the disappearance of several independent players and the aggregation of operators capable of exploiting potential synergies); (ii) a reduction in the volume of investments on the part of companies operating in the Oil & Gas sector and, consequently, in the number of projects developed, as well as delays in the awarding of new projects with a subsequent fall in the visible market for contractors; (iii) a predictable consolidation among contractors (with the objective of maximising synergies in terms of competencies, assets or geographical presence); (iv) economic and financial difficulties for operators who have no distinctive features of success; (v) an increase in competition between contractors, with a presumable fall in the costs of upstream asset development.

In consideration of the plurality and unpredictability of the possible outcomes in a dynamic and discontinuous scenario such as the one described above, accurate estimations as to the commercial, operative and competitive evolution of the Company would be subject to broad margins of uncertainty if the price of oil were to remain at its current levels over the medium and long term.

In order to align its costs and competitive profile to the current oil price scenario, during which a significant decrease in activity volumes and margins is predicted, the Company has launched a turnaround plan called 'Fit for the Future' which, among its various initiatives, includes a rationalisation of fabrication yards and vessels that are no longer suitable for the changed circumstances.

Risks related to the Group's competitive positioning

Saipem operates in a sector strongly characterised by an increasing degree of competitiveness due to the ever greater strength of competitors on an international basis, as well as to the volatility of the price of raw materials (especially the price of oil). In particular, over the past few years there has been a growth in the number of Asian competitors who have acquired technical and financial capacities which allow them to compete in markets previously characterised by the presence of a limited number of operators.

For this reason, it is possible that the entrance of new competitors equipped with resources and cutting edge technologies may compromise Saipem's market position. A further increase in competitive pressure, which is due also to the possible slowdown of or recessions in the markets where the Company is active, may lead to a worsening of Saipem's market share in the sectors in which it operates. Furthermore, an ongoing scenario characterised by the current price of oil may lead to a consolidation of the market with the presence of few operators with the technical and financial ability required for the changed context.

Errors in the execution of projects and insufficient performance of plants and works that Saipem realises, and in the services that the Company provides, as well as any errors in the estimation of operational and commercial risks and inadequate monitoring of subcontractors, could determine a reduction in the margins of individual projects, with additional costs for the Company and a subsequent deterioration in working capital.

Risks associated with the deconsolidation from Eni

The Saipem Group performs engineering, procurement, project management and construction services and drilling for the leading oil companies operating worldwide. Saipem's principal clients include the major National Oil Companies and the Major International Oil Companies (including Eni).
Commercial relationships between Saipem and Eni are entered into solely at market conditions.

As Saipem is one of the major international contractors in the Oil & Gas contracting segment and provides multiple services from engineering and construction to drilling (both onshore and offshore), the Company holds that, even following the deconsolidation, the future commercial relationships between Saipem and Eni will continue to be satisfactory, to such an extent as to be able to hypothesise, on the basis of agreements made, that Eni will presumably continue to be one of the major clients together with the other Major and National Oil Companies.

Risks related to the lowering of demand and the deterioration of relations with clients

The market context is characterised by the ongoing downward trend in the price of oil which, beginning in July 2014, has been aggravated by lower global growth than expected, with a negative impact on world demand for oil and gas.

This condition influences the investment policies of the main clients, exposing Saipem to: (i) delays in the negotiation process and possible cancellation of commercial initiatives relating to future projects; (ii) cancellation and suspension of projects already underway (whether EPCI lump sum or Drilling services contracts); (iii) delays and difficulties in obtaining payment of contractual penalties provided for to indemnify the Company against the cancellation and suspension of such contracts; (iv) delays and difficulties in obtaining change orders for the scope of work requested by the client and executed by Saipem; (v) delays and difficulties in renewing leasing contracts for onshore and offshore drilling fleets prior to the expiry thereof and under economically advantageous terms and conditions.

This context may lead to a deterioration in relations with clients and, in the most significant cases, to international arbitration.

Risks related to technological development

The Engineering & Construction and Drilling sectors are characterised by the continuous development of the technologies and assets used therein.
In order to maintain its competitive position, Saipem needs to update the technology and assets at its disposal, with the aim of aligning its offer of services to the needs of the market.
Should the Company be unable to upgrade the technologies and assets required to improve its operational performance, the Group would probably have to modify or reduce its objectives.

Risks related to laws and regulations in the sector of activity in which Saipem operates

The activities carried out by Saipem in Italy and abroad are subject to compliance with rules and regulations valid in the relevant territory, including laws that implement international protocols or conventions for the specific segment of operations. Specifically, the Group is exposed to risks associated with changes in national tax regimes, tax incentives, rulings of the tax authorities, international tax treaties and, in addition, to risks connected with the application and interpretation thereof in countries in which Group companies carry out their activities. For this reason, Saipem could be exposed to risks linked with inspections, audits and tax disputes.

Furthermore, Saipem is exposed to changes in local regulations that impose the use of set quotas of personnel, as well as goods sold and services provided by local companies ('local content'). Variations in these laws and regulations may compel the Group to change the level of local content it uses, thus exposing it to additional costs or to delays in the execution of projects.

For this reason, Saipem monitors compliance with laws in force and with its targets to reduce to a minimum the impacts from its operational activities. Moreover, amongst other things the regulatory framework also impacts the methods with which Saipem carries out its activities.

Any adoption of more restrictive or unfavourable regulations, or the imposition of obligations for compliance, or further requirements linked to Engineering & Construction and Drilling activities, may lead to changes in operating conditions and require an increase in investments, production costs or, at any rate, to a slow-down in the development of activities.
Finally, any violations of health, safety and environmental laws could lead to limitations to the Group's activities or to fines, sanctions or penalties.

Risks related to inefficiencies in the supply chain

In executing its projects, and in the normal course of its activities, the Group relies on numerous suppliers of goods and services. Any inadequate performances by suppliers and subcontractors could generate deficiencies in the supply chain and, consequently, lead to: additional costs linked to the difficulty in replacing suppliers and in locating the goods and services necessary for the Group to carry out its activities; the procurement of goods and services at higher prices; or delays in the completion and delivery of projects.

A deterioration in relations with suppliers could transform into a competitive disadvantage linked to a reduction in Saipem's negotiating power, with subsequent increases in prices and a worsening of contract terms and conditions.

Risks related to health, safety and the environment

Saipem is subject to laws and regulations for the protection of health, safety and the environment at national, international and EU level. In particular, the Group's activities are subject to the possible occurrence of incidents that could have repercussions on people and the environment.

With reference to these risks, the Company has developed a HSE (Health, Safety and Environment) management system which is in line with the requirements of laws in force and with international standards ISO 14001 and OHSAS 18001, and for which Saipem has obtained certification. The HSE risk management is based on the principles of prevention, protection, awareness, promotion, and participation; its aim is to guarantee the workers' health and safety and to protect the environment and the general well-being of the community.

Despite the adoption of these procedures by Saipem, it cannot be excluded that, in the course of normal Group activities, events that could compromise the health of people or the environment may occur. Furthermore, the occurrence of such events could lead to criminal and/or civil penalties against those responsible and, in some cases violation of safety regulations, pursuant to Legislative Decree No. 231/2001, with the consequent costs deriving from the imposition of penalties against the Company and charges deriving from fulfilling the environmental, health and safety legal and regulatory obligations.

Risks related to obtaining and renewing permits, licences and authorisations

In carrying out its operations, the Group is required to obtain and comply with national and international government permits, licences and authorisations. Each of these authorisations, licences or permits could be revoked or cancelled or amended. Despite the fact that existing permits, licences and authorisations are regularly renewed by various bodies, renewal may be denied, delayed or compromised by various factors, among which:
- failure to deposit adequate financial guarantees;
- failure to observe health, safety and environmental laws and regulations or other specific conditions associated with the renewal of permits, licences and authorisations;
- opposition from local communities;
- executive action;
- legislative action.

Furthermore, in the event of issue, the entering into force of interpretative or applicative legal changes as regards the environment or health and safety in the workplace, or other themes linked to permits, licences and authorisations, it may be necessary to obtain additional operational permits or approvals. Failure to obtain permits, licences and authorisations, or failure to observe the terms and conditions associated with their issue, may negatively influence the Company's operations through the temporary suspension of its activities, to say nothing of exposing it to fines and other sanctions.

Risks related to intellectual property

The Saipem Group carries out research, development and innovation activities with reference to: (i) developing cutting edge technologies in relation to the equipment deployed on its vessels, as well as in terms of full-scale modifications to vessel layouts and technical characteristics; (ii) developing innovative offshore technologies for the exploitation of oil and gas fields; (iii) developing onshore technologies with the aim of enhancing know-how, defining proprietary technologies to satisfy market demand or improving technologies owned by third parties.

The Company likewise depends on proprietary but unpatented technologies, processes, know-how and data. Data is treated as confidential and is protected in compliance with normal practices in the management of industrial secrets, i.e. through confidentiality agreements entered into with external collaborators, suppliers, consultants and certain counterparties, including third-party manufacturers. In the event that such agreements or other tools used to protect industrial secrets do not provide concrete safeguards or are breached, the Company might not be able to avail of adequate remedies to challenge each violation, or its industrial secrets could become known to or be developed by competitors.

The protection of intellectual or industrial property rights or rights to exclusive use is normally very complex and often leads to problems of a legal nature regarding ownership of said rights. For this reason, in carrying out its commercial and research and development activities, the Company may in future be summoned to appear before the courts for disputes related to the violation of intellectual and industrial property rights of third parties, or may find itself needing to bring legal proceedings against third parties to protect its own rights.

Therefore, the Company is exposed to possible challenges and/or disputes for the breach of rights relating to patents and/or other intellectual and industrial property, as well as the exploitation, including abusive exploitation, of its own intellectual property rights by third parties or those of third parties whose licences the Group uses.

Risks related to insurance coverage

The Company's activities are subject to risks from defects in equipment or its improper use, or from malfunctioning, breakdown or natural disasters, which can compromise the full and efficient function of plant and machinery. Furthermore, a significant part of the Group's activities involves the restructuring of large-scale infrastructures and plants, as well as the movement of cranes and other machinery at high operational risk. These risks can expose the Group to significant liabilities for personal injuries, manslaughter, product liability, damage to assets, pollution and other environmental damage. Saipem may be exposed to claims for damages arising from these risks and could also be subject to challenges and/or claims for damages deriving from the subsequent management of its own fleet. In several jurisdictions in which the Group operates, it might be subject to objective liability in relation to environmental responsibility and for payments due to workers.

Although the Saipem Group tries to manage these risks through the provision of contractual limitations to liability and indemnities due, and has taken out insurance policies for its employees, as well as for all its real estate properties and significant assets, these may not be sufficient. In particular, clients, suppliers and subcontractors may not have adequate financial resources or adequate insurance coverage to meet their obligations of indemnity towards Saipem. Furthermore, the Group's insurance coverage, while based on its historical experience of claims over the past twenty years, many still not be sufficient to pay for all losses and potential liabilities should catastrophic events occur. Some guarantees of insurance coverage may no longer be available in the future or, when available, the premiums may increase or no longer be commercially justifiable.

Moreover, should the Group incur significant responsibilities, the contractual limitations, obligations of indemnity or insurance coverage may not contemplate or may be insufficient to cover the liabilities deriving therefrom. Finally, Saipem is exposed to possible delays in the payment of indemnities on the part of the Group's insurance company.
In close cooperation with top management the Corporate insurance function annually defines the Saipem Group's guidelines on insurance coverage against risks of material damages and civil liability, and those deriving from contracts taken on.

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
- 'Vessel fleet' 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 any transport, movement and storage of items and equipment via land, sea and air.
- 'Sites and Property' policy: covers real estate, offices, warehouses and shipyards owned or leased.

- 'Other minor risks' policy: covers minor risks such as theft and dishonesty of employees.

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

A key tool in the management of Saipem's insurable risks is the captive reinsurance company Sigurd Rück AG, which covers the initial part of risk.
Sigurd Rück AG in turn carries out risk mitigation by re-insuring its portfolio on primary securities markets.

Project execution insurance policies

For all contracts assigned there must be specific project insurance coverage in place and said coverage generally falls within the client's contractual scope of responsibility.

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

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

The high level of insurance premiums and excess amounts payable on these policies lead Saipem to implement continual improvement of prevention and protection processes in terms of quality, health, safety and environmental impact.

Additional information

Purchase of treasury shares

During 2015 no ordinary shares were purchased on the market. Saipem SpA holds treasury shares to the value of €43 million (€43 million at December 31, 2014), consisting of 1,939,832 ordinary Saipem shares (1,939,832 at December 31, 2014).
At March 16, 2016, share capital amounted to €2,191,384,693. On the same day, the number of shares in circulation was 10,107,834,564.

Consob Regulation on Markets

Article 36 of the Regulation on Markets: conditions for Stock Exchange listing of companies with subsidiaries established and regulated under the law of non-EU countries

With regard to the regulations setting out conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries that are deemed to be of material significance in relation to the consolidated financial statements, the Company discloses that at December 31, 2015, the following twenty-two Saipem subsidiaries fell within the scope of application of the regulation in question.
Specifically:
- Saipem (Nigeria) Ltd;
- Saipem Australia Pty Ltd;
- Saudi Arabian Saipem Ltd;
- Petrex SA;
- Snamprogetti Saudi Arabia Co Ltd Llc;
- Global Petroprojects Services AG;
- Saipem America Inc;
- Saipem Contracting (Nigeria) Ltd;
- PT Saipem Indonesia;
- Saipem Asia Sdn Bhd;
- Saipem do Brasil Serviçõs de Petroleo Ltda;
- Boscongo SA;
- Saimexicana SA de Cv;
- ER SAI Caspian Contractor Llc;
- Saipem Canada Inc;
- Saipem Services Mexico SA de Cv;
- Saipem Misr for Petroleum Services (S.A.E.);
- Sigurd Rück AG;
- Sajer Iraq Llc;
- Saipem Offshore Norway AS;
- Saipem Drilling Norway AS;
- Snamprogetti Engineering & Contracting Co Ltd.

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

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

Pursuant to the requirements set out in paragraph 9 of Article 2.6.2 of the Rules of the Markets organised and managed by Borsa Italiana SpA, the Board of Directors in its meeting of March 10, 2015, ascertained that the Company satisfies the conditions set out in Article 37 of the Consob Regulation on Markets (CRM) for the admission to trading on an Italian regulated market of the shares of subsidiaries subject to management and coordination by another company.
Following the appointment of the Board of Directors at the Shareholders Meeting of April 30, 2015, the Board of Directors meeting which took place that same day confirmed that the composition of the Board was in accordance with letter d), paragraph 1 of Article 37 of the Consob Regulation on Markets (CRM), since at the time the Company was subject to the direction and coordination of Eni. The Board of Directors is in fact made up of a majority of independent directors. The Board of Statutory Auditors, in turn, ascertained the correct application of criteria applied by the Board of Directors.
The Board of Directors meeting of May 15, 2015 appointed the members of its internal committees. The committees required under the Corporate Governance Code (the Compensation and Nomination Committee and the Audit and Risk Committee) are composed exclusively of independent directors, pursuant to letter d), paragraph 1 of Article 37 of CRM.
On October 27, 2015, Eni announced having entered into with FSI: (i) a sale and purchase agreement by which Eni undertook to sell a holding of 12.503% of the ordinary share capital of Saipem, amounting to 55,176,364 ordinary Saipem shares; and (ii) a shareholders' agreement for governing the mutual relationship between Eni and FSI as shareholders of the Issuer (the 'sale').
With a communication dated October 27, 2015, Eni stated that, by effect of the loss of sole control over Saipem resulting from the conclusion of the sale, the residual Eni holding of the Company amounting to 30.42% of the Saipem ordinary share capital will be deconsolidated with effect from the effective date of the sale and recognised in the financial statements using the net equity method.
As indicated in the shareholders' agreement between Eni and FSI, as at the effective date of the sale, neither Eni nor FSI would exercise 'sole control over Saipem pursuant to Article 93 of the TUF (Consolidated Finance Act)'.
Moreover, according to the prospectus drafted by Eni pursuant to Article 5 of the 'Related Party' regulation regarding the sale of the Eni holding in Saipem, the 'governance configurations agreed by the shareholders' agreement are aimed at realising joint control

of Saipem by Eni and FSI'. Consequently, as at the effective date of the sale (concluded on January 22, 2016) Saipem ceased to be under the direction and coordination of Eni.

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 transactions form part of ordinary operations, are settled at market conditions, i.e. at the conditions that would have applied between two independent parties, and are concluded in the interest of Group companies.
Directors 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 value of transactions of a trade, financial or other nature entered into with related parties are illustrated in Note 45 of the 'Notes to the consolidated financial statements'.

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

Saipem SpA was subject to the management and coordination of Eni SpA up to January 22, 2016. Transactions with Eni SpA until January 22, 2016 and with entities subject to its direction and coordination constitute transactions with related parties and are commented on in Note 45 'Transactions with related parties' in the 'Notes to the consolidated financial statements'.
As indicated in the shareholders' agreement entered into between Eni and FSI, as at the effective date of the sale (January 22, 2016), neither Eni nor FSI will exercise 'sole control over Saipem pursuant to Article 93 of the TUF [Consolidated Finance Act]'. Furthermore, according to the prospectus drafted by Eni pursuant to Article 5 of the 'Related Parties' regulation regarding the sale of the Eni holding in Saipem, the governance configurations agreed under the shareholders' agreement are aimed at realising joint control over Saipem by Eni and FSI. Consequently, from January 22, 2016, Saipem ceased to be under the direction and coordination of Eni.

Events subsequent to year end

Acquisition of orders

On January 29, 2016, Saipem was awarded new Onshore Engineering & Construction contracts for a value of around €360 million. The most significant contract involves the development of natural gas storage plants in Cornegliano Laudense, in the province of Lodi, Italy, for Ital Gas Storage (IGS). The plants will be connected to the Italian gas network, and in turn connected to the large national and European high pressure gas pipelines.

Capital increase

On October 27,2015 the Saipem Board of Directors convened an Extraordinary Shareholders' Meeting for December 2, 2015 for the approval of the capital increase for a maximum total divisible amount of €3,500 million, including any share premium, to be offered as an option to ordinary and savings shareholders of the Company, pursuant to Article 2441 of the Italian civil code. Under this scenario Eni SpA accordingly committed to subscribing all newly issued ordinary shares due to it in proportion to its holding in Saipem, amounting to 42.9% of the ordinary share capital.
On October 27, 2015, Eni signed a sale and purchase agreement with Fondo Strategico Italiano SpA ('FSI') for the transfer to FSI of a holding in the amount of approximately 12.5% of the share capital of Saipem, and a shareholders' agreement for governing the governance and the shareholding structure of Saipem. FSI therefore took on an irrevocable commitment to the Company to exercise entirely the stock options linked to the shares transferred, subject to the fulfilment of the sale.
For the remaining proportion of the capital increase, the Company, on one side, and Goldman Sachs International and J. P. Morgan Securities Plc, as Joint Global Coordinators and Joint Bookrunners, and Banca IMI SpA, Citigroup Global Markets Ltd, Deutsche Bank AG, London branch, Mediobanca - Banca di Credito Finanziario SpA and UniCredit Corporate and Investment Banking, as Joint Bookrunners, on the other, signed a pre-guarantee agreement on October 27, 2015 as a commitment to subscribe any Saipem ordinary shares not subscribed following the IPO pursuant to Article 2441, paragraph 3 of the Italian civil code, under market conditions.
On October 27, 2015, Saipem also entered into a letter of mandate with a consortium of banks made up of: (i) Banca IMI SpA, Citigroup Global Markets Ltd, Deutsche Bank AG, London Branch, Mediobanca - Banca di Credito Finanziario SpA and UniCredit SpA as Mandated Lead Arrangers and Bookrunners; (ii) Goldman Sachs International and J. P. Morgan Ltd as Joint Lead Arrangers; (iii) Intesa Sanpaolo SpA, Citibank NA, Milan Branch, Deutsche Bank AG, Filiale Luxembourg, Mediobanca - Banca di Credito Finanziario SpA and UniCredit SpA, Goldman Sachs Lending Partners Llc and J. P. Morgan Chase Bank, NA, Milan Branch, as Original Lenders, for the structuring and provision of a new bank loan for, inter alia, refinancing the gross residual debt. The new bank loan consists of the following credit lines: (i) a so-called 'bridge to bond' 18-month credit line of €1,600 million, renewable for an additional 6 months; (ii) a 'term facility' 5-year credit line of €1,600 million; (iii) a 'revolving facility' 5-year credit line of €1,500 million. The funds deriving from the 'bridge to bond' and 'term facility' credit lines will be used by the Company to refinance its residual indebtedness to Eni, while the 'revolving facility' credit line will give the Company the liquidity necessary to meet its finance needs.
The syndication process of new Saipem credit lines amounting to €4.7 billion was successfully completed on December 10, 2015.

Following the completion of the syndication process, Saipem signed a contract for €4.7 billion of senior credit lines which include: (i) a so-called 'bridge to bond' 18-month credit line of €1.6 billion, renewable for an additional 6 months; (ii) a 'term loan' 5-year credit line of €1.6 billion; (iii) a 'revolving facility' credit line for €1.5 billion with a term of 5 years. The availability of the credit lines was subject to the completion of the capital increase in the total amount of €3.5 billion, announced on October 27 and approved by the Saipem Extraordinary Shareholders' Meeting on December 2.
On January 21, 2016, following the resolution of the Board of Directors, which defined the final conditions of the capital increase, the Underwriting Agreement was entered into with the 11 underwriting consortium banks (the Underwriters). By this contract the Underwriters severally undertook to subscribe any newly-issued Saipem shares not taken after the expiry of the final term for exercising the stock options.
On January 22, 2016, Consob approved the Registration Document, the Explanatory Notes and Summary Notes (the Statement) for the capital increase. The documents were published according to the terms and methods prescribed by current regulations. The Notice of Offer was filed on the same date with the Register of Companies.
February 11, 2016 was the end date of the subscription period, at which 385,871,894 stock options had been exercised for the subscription of 8,489,181,668 shares, amounting to 87.8% of the total shares offered, for a total book value of approximately €3,073 billion. More specifically, in terms of the commitments taken on, Eni SpA and Fondo Strategico Italiano SpA, subscribed the respective share of the capital increase, amounting to 42.9% of the Saipem ordinary share capital. 53,599,174 stock options not exercised during the offer period, for the subscription of 1,179,181,828 newly-issued shares, corresponding to 12.2% of the total shares offered, for a total book value of approximately €427 million, were offered on the Stock Exchange by Saipem by means of Mediobanca - Banca di Credito Finanziario SpA pursuant to Article 2441, paragraph 3 of the Italian civil code, over the trading days of February 15 and 16, 2016 (as the IPO closed in advance of the maximum term of 5 days).
On February 11, 2016, 13 subsidiaries of the Saipem Group, in accordance with the provisions of the loan agreement signed on December 10, 2015, acted as guarantors of the obligations taken on in favour of the lenders, by Saipem SpA and by Saipem Finance International BV as borrowers, thereby realising one of the conditions precedent for the provision of the loan.
The IPO, covering a maximum of 9,668,363,496 shares for a total book value of €3,499,947,586 was guaranteed in its entirety, excluding the amount subject to the subscription commitments of Eni and FSI, since Goldman Sachs International, J. P. Morgan, as Joint Global Coordinators and Joint Bookrunners, Banca IMI, Citigroup, Deutsche Bank, Mediobanca, UniCredit, as Joint Bookrunners and HSBC Bank Plc, BNP Paribas, ABN AMRO Bank NV and DNB Markets as Co-Lead Managers (collectively, the 'Guarantors') were committed as guarantors, severally and without a joint obligation, to subscribe any ordinary Saipem shares not subscribed following the IPO.
The IPO of a maximum number of 9,668,363,496 newly-issued ordinary Saipem shares concluded on February 19, 2016. Not subscribed stock options were sold entirely during the second day of trading of the IPO. Of these, 1 was exercised per 22 new shares by the term of February 19, 2016 and therefore the intervention of the guarantee consortium became necessary.
According to the guarantee agreement signed on January 21, 2016, Goldman Sachs International, J. P. Morgan, as Joint Global Coordinators and Joint Bookrunners, Banca IMI, Citigroup, Deutsche Bank AG, London Branch, Mediobanca, UniCredit, as Joint Bookrunners and HSBC Bank plc, BNP Paribas, ABN AMRO Bank NV and DNB Markets as Co-Lead Managers subscribed the remaining 1,179,181,806 shares on February 23, 2016, for a total book value of around €427 million. Following this subscription by the guarantors, the share capital was subscribed for a total book value of €3,499,947,586 (of which €1,749,973,793 as capital and €1,749,973,793 as share premium). The new Saipem share capital therefore amounts to €2,191,384,693, divided into 10,109,665,070 ordinary shares and 109,326 savings shares with no nominal value. The associated confirmation pursuant to Article 2444 of the Italian civil code was deposited at the Milan Register of Companies within the legal term.
This closing satisfied the final condition precedent to the provision of the loan that was requested by Saipem on February 23, 2016 and obtained on February 26, 2016.
In actual fact on February 26, 2016 a consortium of banks provided a loan in the amount of €3.2 billion. The provision of the loan followed the contract signed on December 10, 2015, for a total amount of €4.7 billion of senior credit lines, which include: (i) a so-called 'bridge to bond' 18-month credit line of €1.6 billion, renewable for an additional 6 months; (ii) a 'term loan' 5-year credit line of €1.6 billion; (iii) a 'revolving facility' credit line for €1.5 billion with a term of 5 years. In fulfilment of the agreements signed with Eni SpA on October 27, 2015 ('Recognitory Agreement'), Saipem simultaneously cancelled the indebtedness to Eni SpA using the funds deriving both from the 'bridge to bond' and 'term loan' and from the proceeds from the recent subscription of the capital increase.
At the date of completion of the transaction, the debt of Saipem SpA was thus reduced by €3.5 billion. The residual debt was refinanced through the 'Bridge to Bond' and 'Term to Loan' credit lines obtained, totalling €3.2 billion. Therefore, following completion of the transaction, the debt owed to Eni was paid back in full and Saipem's residual debt to third party institutions amounts to approximately €2 billion.
In line with the strategy adopted by Saipem to achieve financial independence from Eni, which has as its cornerstone the share capital increase and the refinancing of the Company's debt, the Group equipped itself with a new finance operating model characterised by the centralisation of recourse to the financial markets and management of cash flow and debt, thereby ensuring a more efficient use of financial resources.
Consequently, the centralised financial services supplied to Saipem by Eni have been progressively replaced by those provided by Saipem SpA and Saipem Finance International BV, the latter set up on September 21, 2015, with headquarters in Amsterdam, with responsibility for the management of intercompany loans and derivatives and of monetary regulation services.

'Fit for the Future': Saipem's turnaround plan

In May 2015, Saipem initiated the 'Fit for the Future' programme aimed at changing its operating and industrial model by improving its efficiency and efficacy for rapid and sustainable recovery of competitiveness in an ever more challenging market scenario.
The programme involved all company functions and was organised in five sites, three for the Business Units (E&C Onshore, E&C Offshore and Drilling), one for the Staff and one for Procurement.
The programme is being followed by a specific steering committee chaired by the CEO.
All of the Company's external and internal costs were analysed during the diagnostic phase, concluded at the end of July 2015. More than 160 initiatives identified tackled both project-related costs and permanent overhead costs.
This enabled opportunities for improvement to be identified that can be classified according to the following four areas.

- reordering of geographic presence:
  - rationalisation of engineering;
  - redefinition of activities in North Africa;
  - sale of the centres in Rome and Vibo Valentia, closure of the centre in Romania and the offices in Delhi;
  - rationalisation of presence with reduction of personnel and external costs in Africa, Middle East and Far East;
- reduction of complexity and redesign of processes:
  - optimisation of processes for the supervision of construction activities;
  - review of asset management plans;
  - optimisation of personnel on board vessels;
  - review of maintenance models and deployment of assets;
- rationalisation of fleet and assets:
  - disposal of non-core vessels;
  - rationalisation of no longer strategic production sites;
  - sale of non-core assets;
  - optimisation of scheduled investments;
- optimisation of overhead costs:
  - optimisation of staff structures abroad;
  - consolidation of certain staff activities in services hubs;
  - rationalisation and renegotiation of service contracts;
  - focusing on structural/service activities in line with business requirements;
  - change of policies for managing travel, missions and expatriation.

The 160 initiatives envisage accumulated savings of €1.5 billion by 2017, using the costs of the 2014 period as a reference. The 2015 objectives were achieved with a result in the amount of €150 million. The initiatives identified also led to the reduction of around 7,000 employees during the period.
To guarantee achievement of the results the programme defined a Project Management Office and a management and reporting system for detailed monthly monitoring of the physical and financial progress. The Project Management Office also focused on continual identification of any additional opportunities for improvement to be achieved through new initiatives.

Outlook

For 2016, in market conditions that remain challenging, Saipem confirms the guidance announced to the market in the third quarter of 2015 in terms of revenues, profitability and net financial position at year-end, also thanks to a further optimisation of capital expenditure.
The revenue forecast (>€11 billion), takes account of the visibility of operations given by the portfolio of existing orders and the negative market context.
EBIT for 2016 is expected to be greater than €600 million, a reflection of the benefits from the progressive completion of the low margin legacy contracts in Onshore E&C and the effects of continuing the cost structure efficiency programme.
Consequently, net profit is expected to be around €300 million, benefiting from the more favourable cost of borrowing due to the recently concluded capital increase and refinancing operation.
Capital expenditure is expected to be around €500 million, down 10% from the final figure of 2015, contributing to generation of cash which will bring net debt down to less than €1.5 billion at the end of 2016.

Medium- to long-term market prospects

The Strategic Plan for 2016-2019, which was approved by the Board of Directors in October 2015, is based on confidence in the medium and long-term solidity of the Oil & Gas industry and the expectation that oil prices will recover over the medium term, in line with the expectations of the analysts, beginning as early as 2017, driven by various key factors, such as:

- re-equilibrium between supply and demand in oil due to the combined effect of: (i) a recovery in demand expected over the next few years running parallel with global economic dynamics; (ii) a delay in the start-up of new investments in the development of productive capacity (in particular in several regions, among which South America, the North Sea, Canada and West Africa);
- the gradual depletion of current reserves;
- the need for a recovery in the balance sheets of oil exporter countries, which are currently undergoing a crisis that will be difficult to sustain over the long term.

Non-GAAP measures

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

- cash flow: the sum of net profit plus depreciation and amortisation;

- capital expenditure: calculated by excluding investments in equity interests from total investments;
- EBITDA: a useful measure for evaluating the operating performance of the Group as a whole and of the individual sectors of activity, in addition to operating profit. EBITDA is an intermediate measure, which is calculated by adding depreciation and amortisation to operating profit;
- non-current assets: the sum of net tangible assets, net intangible assets and investments;
- net current assets: includes working capital and provisions for contingencies;
- net capital employed: the sum of non-current assets, working capital and the provision for employee benefits;
- funding: shareholders' equity, minority interest and net borrowings;
- special items: (i) non-recurring events or transactions; (ii) events or transactions that are not considered to be representative of the ordinary course of business.

Secondary offices

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

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

Reclassified balance sheet

(€ million)	Dec. 31, 2014		Dec. 31, 2015	
Items of the reclassified balance sheet (where not stated otherwise, items comply with statutory scheme)	Partial amounts from statutory scheme	Amounts from reclassified scheme	Partial amounts from statutory scheme	Amounts from reclassified scheme
A) Net tangible assets		7,601		7,287
Note 8 - Property, plant and equipment	*7,601*		*7,287*	
B) Net intangible assets		760		758
Note 9 - Intangible assets	*760*		*758*	
C) Investments		112		134
Note 10 - Investments accounted for with the equity method	*120*		*135*	
Reclassified from E) - provisions for losses related to investments	*(8)*		*(1)*	
D) Working capital		576		1,178
Note 3 - Trade and other receivables	*3,391*		*3,348*	
Reclassified to I) - financing receivables not related to operations	*(58)*		*(30)*	
Note 4 - Inventories	*2,485*		*2,286*	
Note 5 - Current tax assets	*317*		*253*	
Note 6 - Other current tax assets	*307*		*376*	
Note 7 - Other current assets	*520*		*209*	
Note 11 - Other financial assets	*1*		*1*	
Reclassified to I) - financing receivables not related to operations	*(1)*		*(1)*	
Note 12 - Deferred tax assets	*297*		*460*	
Note 13 - Other non-current assets	*115*		*114*	
Note 15 - Trade and other payables	*(5,669)*		*(5,186)*	
Note 16 - Income tax payables	*(134)*		*(130)*	
Note 17 - Other current tax liabilities	*(184)*		*(268)*	
Note 18 - Other current liabilities	*(838)*		*(202)*	
Note 22 - Deferred tax liabilities	*(40)*		*(10)*	
Note 23 - Other non-current liabilities	*(2)*		*(42)*	
Note 24 - Assets held for sale	*69*		*-*	
E) Provisions for contingencies		(210)		(237)
Note 20 - Provisions for contingencies	*(218)*		*(238)*	
Reclassified to C) - provisions for losses related to investments	*8*		*1*	
F) Provisions for employee benefits		(237)		(211)
Note 21 - Provisions for employee benefits	*(237)*		*(211)*	
CAPITAL EMPLOYED, NET				
G) Shareholders' equity		4,137		3,474
Note 26 - Saipem shareholders' equity	*4,137*		*3,474*	
H) Non-controlling interests		41		45
Note 25 - Non-controlling interests	*41*		*45*	
I) Net debt		4,424		5,390
Note 1 - Cash and cash equivalents	*(1,602)*		*(1,066)*	
Note 2 - Other financial assets held for trading or available for sale	*(9)*		*(26)*	
Note 14 - Short-term debt	*2,186*		*3,016*	
Note 19 - Long-term debt	*594*		*2,841*	
Note 19 - Current portion of long-term debt	*3,314*		*656*	
Reclassified from D) - financing receivables not related to operations (Note 3)	*(58)*		*(30)*	
Reclassified from D) - financing receivables not related to operations (Note 11)	*(1)*		*(1)*	
FUNDING		**8,602**		**8,909**

Reclassified income statement

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

- the item 'other income and revenues' (€8 million) relating to 'reimbursements for services that are not part of core operations', 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 'finance income' (€1,053 million), 'finance expenses' (-€1,206 million) and 'derivatives' (-€91 million), which are indicated separately under the statutory scheme, are stated under the item 'finance (expense) income' (-€244 million) in the reclassified income statement.

All other items are unchanged.

Reclassified cash flow statement

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

- the items 'depreciation and amortisation' (€741 million), 'net impairment of tangible and intangible assets' (€219 million), 'change in the provision for employee benefits' (-€21 million), 'other changes' (-€18 million) and 'effect accounting using the equity method' (-€16 million) indicated separately and included in net cash generated from operating activities in the mandatory scheme, are reported net in the item 'depreciation and amortisation and other non-monetary components' (€905 million);
- the items 'interest expense' (€200 million), 'income taxes' (€127 million) and 'interest income' (-€9 million), indicated separately and included in cash generated from operating profit in the statutory scheme, are shown net under the item 'dividends, interests and taxes' (€318 million);
- the items regarding 'trade receivables' (€112 million), 'provisions for contingencies' (€30 million), changes in 'inventories' (€242 million), in 'trade payables' (-€716 million) and 'other assets and liabilities' (-€136 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' (€468 million);
- the items 'interest received' (€14 million), 'dividends received' (€1 million), 'income taxes paid net of refunds of tax credits' (-€266 million) and 'interest paid' (-€204 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' (-€455 million);
- the items relating to investments in 'tangible assets' (-€550 million) and 'intangible assets' (-€11 million), indicated separately and included in cash flow from investing activities in the statutory scheme, are shown net under the item 'capital expenditure' (-€561 million);
- the items regarding disposals of 'investments' (€97 million), 'sale of company branches' (€46 million) and disposals of 'tangible assets' (€12 million), indicated separately and included in cash flows from disposals, are shown net under the item 'disposals and partial disposals of consolidated subsidiaries and businesses' (€155 million);
- the items relating to disposals in 'financing receivables' (€29 million), in 'securities' (€1 million), investments in 'securities' (-€18 million), in 'financing receivables' (-€1 million) and 'change in payables and receivables relating to investments' (€1 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' (-€12 million);
- the items 'proceeds from long-term debt' (€457 million), 'increase (decrease) in short-term debt' (€818 million) and 'repayments of long-term debt' (-€905 million), indicated separately and included in net cash flow used in financing activities in the statutory scheme, are shown net under the item 'changes in short and long-term financial debt' (-€370 million).

All other items are unchanged.

Consolidated Financial Statements 2015

Balance sheet

(€ million)	Note	Dec. 31, 2014 Total	Dec. 31, 2014 of which with related parties [1]	Dec. 31, 2015 Total	Dec. 31, 2015 of which with related parties [1]
ASSETS					
Current assets					
Cash and cash equivalents	(No. 1)	1,602	885	1,066	177
Other financial assets held for trading or available for sale	(No. 2)	9		26	
Trade and other receivables	(No. 3)	3,391	868	3,348	744
Inventories	(No. 4)	2,485		2,286	
Current tax assets	(No. 5)	317		253	
Other current tax assets	(No. 6)	307		376	
Other current assets	(No. 7)	520	360	209	79
Total current assets		**8,631**		**7,564**	
Non-current assets					
Property, plant and equipment	(No. 8)	7,601		7,287	
Intangible assets	(No. 9)	760		758	
Investments accounted for using the equity method	(No. 10)	120		135	
Other financial assets	(No. 11)	1		1	
Deferred tax assets	(No. 12)	297		460	
Other non-current assets	(No. 13)	115	2	114	12
Total non-current assets		**8,894**		**8,755**	
Assets held for sale	(No. 24)	69		-	
TOTAL ASSETS		**17,594**		**16,319**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(No. 14)	2,186	1,873	3,016	2,781
Current portion of long-term debt	(No. 19)	594	594	656	643
Trade and other payables	(No. 15)	5,669	382	5,186	281
Income tax payables	(No. 16)	134		130	
Other current tax liabilities	(No. 17)	184		268	
Other current liabilities	(No. 18)	838	828	202	150
Total current liabilities		**9,605**		**9,458**	
Non-current liabilities					
Long-term debt	(No. 19)	3,314	3,064	2,841	2,571
Provisions for contingencies	(No. 20)	218		238	
Provisions for employee benefits	(No. 21)	237		211	
Deferred tax liabilities	(No. 22)	40		10	
Other non-current liabilities	(No. 23)	2	-	42	5
Total non-current liabilities		**3,811**		**3,342**	
TOTAL LIABILITIES		**13,416**		**12,800**	
SHAREHOLDERS' EQUITY					
Non-controlling interests	(No. 25)	41		45	
Saipem shareholders' equity:	(No. 26)	4,137		3,474	
- share capital	(No. 27)	441		441	
- share premium reserve	(No. 28)	55		55	
- other reserves	(No. 29)	(209)		(115)	
- retained earnings		4,123		3,942	
- net profit (loss) for the year		(230)		(806)	
- treasury shares	(No. 30)	(43)		(43)	
Total shareholders' equity		**4,178**		**3,519**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**17,594**		**16,319**	

(1) For an analysis of figures shown as 'of which with related parties', see Note 45 'Transactions with related parties'.

Income statement

(€ million)	Note	2014 Total	2014 of which with related parties [1]	2015 Total	2015 of which with related parties [1]
REVENUES					
Net sales from operations	(No. 33)	12,873	2,406	11,507	1,699
Other income and revenues	(No. 34)	15		13	
Total revenues		**12,888**		**11,520**	
Operating expenses					
Purchases, services and other costs	(No. 35)	(9,262)	(335)	(8,789)	(304)
Payroll and related costs	(No. 36)	(2,408)	(1)	(2,222)	(1)
Depreciation, amortisation and impairment	(No. 37)	(1,157)		(960)	
Other operating income (expense)	(No. 38)	(6)	(6)	(1)	(1)
OPERATING RESULT		**55**		**(452)**	
Finance income (expense)					
Finance income		759		1,053	
Finance expense		(788)	(148)	(1,206)	(171)
Derivative financial instruments		(170)	(167)	(91)	(85)
Total finance income (expense)	(No. 39)	**(199)**		**(244)**	
Income (expense) from investments					
Share of profit of equity-accounted investments		20		16	
Other income from investments		4		18	
Total income (expense) from investments	(No. 40)	**24**		**34**	
RESULT BEFORE INCOME TAXES		**(120)**		**(662)**	
Income taxes	(No. 41)	(118)		(127)	
NET RESULT		**(238)**		**(789)**	
Attributable to:					
- Saipem		(230)		(806)	
- non-controlling interests	(No. 42)	(8)		17	
Earnings (loss) per share attributable to Saipem (€ per share)					
Basic earnings (loss) per share	(No. 43)	(0.52)		(1.83)	
Diluted earnings (loss) per share	(No. 43)	(0.52)		(1.83)	

(1) For an analysis of figures shown as 'of which with related parties', see Note 45 'Transactions with related parties'.

Statement of comprehensive income

(€ million)	2014	2015
Net profit (loss) for the year	**(238)**	**(789)**
Other items of comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans for employees	(21)	3
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans	2	-
Income tax relating to items that will not be reclassified	4	(2)
	(15)	**1**
Items that may be reclassified subsequently to profit or loss		
Change in the fair value of cash flow hedges [1]	(478)	(1)
Exchange rate differences arising from the translation into euro of financial statements currencies other than the euro	94	100
Share of other comprehensive income of investments accounted for using the equity method	(1)	-
Income tax on items that may be reclassified subsequently to profit or loss	116	8
	(269)	**107**
Total other items of comprehensive income, net of taxation	**(284)**	**108**
Total comprehensive income (loss) for the year	**(522)**	**(681)**
Attributable to:		
- Saipem Group	(516)	(702)
- non-controlling interests	(6)	21

(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, net of tax	Cumulative currency translation differences	Employee defined benefits reserve, net of tax	Retained earnings	Net profit (loss) for the year	Treasury shares	Total	Non-controlling interests	Total shareholders' equity
Balance at December 31, 2012	**441**	**55**	**7**	**88**	**-**	**47**	**(43)**	**-**	**3,951**	**902**	**(43)**	**5,405**	**148**	**5,553**
Changes to accounting standards (IAS 19)	-	-	-	-	-	-	-	-	(16)	2	-	(14)	-	(14)
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	(13)	-	-	-	(13)	-	(13)
Other changes	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Total effect of new provisions of IAS 19	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13)**	**(17)**	**2**	**-**	**(28)**	**-**	**(28)**
IAS 8 restatement	-	-	-	-	-	-	-	-	-	(245)	-	(245)	-	(245)
Balance at December 31, 2012 restated	**441**	**55**	**7**	**88**	**-**	**47**	**(43)**	**(13)**	**3,934**	**659**	**(43)**	**5,132**	**148**	**5,280**
2013 net result	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(159)**	**-**	**(159)**	**23**	**(136)**
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	11	-	-	-	11	-	11
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**-**	**-**	**-**	**9**	**-**	**9**
Items that may be reclassified subsequently to profit or loss														
Change in the fair value of cash flow hedging derivatives, net of the tax effect	-	-	-	-	-	37	-	-	-	-	-	37	-	37
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	(57)	(1)	(33)	-	-	(91)	(4)	(95)
Total	**-**	**-**	**-**	**-**	**-**	**37**	**(57)**	**(1)**	**(33)**	**-**	**-**	**(54)**	**(4)**	**(58)**
Total comprehensive income (loss) for 2013	**-**	**-**	**-**	**-**	**-**	**37**	**(57)**	**8**	**(33)**	**(159)**	**-**	**(204)**	**19**	**(185)**
Transactions with shareholders														
Dividend distribution	-	-	-	-	-	-	-	-	-	(299)	-	(299)	(76)	(375)
Retained earnings	-	-	-	-	-	-	-	-	360	(360)	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from non-controlling interests Snamprogetti Engineering & Contracting Co Ltd	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**360**	**(659)**	**-**	**(299)**	**(75)**	**(374)**
Other changes in shareholders' equity														
Other changes	-	-	-	-	-	1	-	-	(15)	-	-	(14)	-	(14)
Transactions with companies under common control	-	-	-	-	-	-	-	-	37	-	-	37	-	37
Total	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**22**	**-**	**-**	**23**	**-**	**23**
Balance at December 31, 2013	**441**	**55**	**7**	**88**	**-**	**85**	**(100)**	**(5)**	**4,283**	**(159)**	**(43)**	**4,652**	**92**	**4,744**
2014 net result	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(230)**	**-**	**(230)**	**(8)**	**(238)**
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	(15)	-	-	-	(15)	(1)	(16)
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	1	-	-	-	1	-	1
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14)**	**-**	**-**	**-**	**(14)**	**(1)**	**(15)**
Items that may be reclassified subsequently to profit or loss														

cont'd Statement of changes in shareholders' equity

	Saipem shareholders' equity													
(€ million)	Share capital	Share premium reserve	Other reserves	Legal reserve	Reserve for treasury shares	Cash flow hedge reserve, net of tax	Cumulative currency translation differences	Employee defined benefits reserve, net of tax	Retained earnings	Net profit (loss) for the year	Treasury shares	Total	Non-controlling interests	Total shareholders' equity
Change in the fair value of cash flow hedging derivatives, net of the tax effect	-	-	-	-	-	(359)	-	-	-	-	-	(359)	(3)	(362)
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	92	-	(4)	-	-	88	6	94
Share of other comprehensive income of investments accounted for using the equity method	-	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Total	**-**	**-**	**(1)**	**-**	**-**	**(359)**	**92**	**-**	**(4)**	**-**	**-**	**(272)**	**3**	**(269)**
Total comprehensive income (loss) for 2014	**-**	**-**	**(1)**	**-**	**-**	**(359)**	**92**	**(14)**	**(4)**	**(230)**	**-**	**(516)**	**(6)**	**(522)**
Transactions with shareholders														
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	(45)	(45)
Retained earnings	-	-	-	-	-	-	-	-	(159)	159	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(159)**	**159**	**-**	**-**	**(45)**	**(45)**
Other changes in shareholders' equity														
Expired stock options	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Other changes	-	-	-	-	-	(1)	(1)	-	4	-	-	2	-	2
Transactions with companies under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**3**	**-**	**-**	**1**	**-**	**1**
Balance at December 31, 2014	**441**	**55**	**6**	**88**	**-**	**(275)**	**(9)**	**(19)**	**4,123**	**(230)**	**(43)**	**4,137**	**41**	**4,178**
2015 net result	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(806)**	**-**	**(806)**	**17**	**(789)**
Other items of comprehensive income														
Items that will not be reclassified subsequently to profit or loss														
Remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Share of other comprehensive income of investments accounted for using the equity method relating to remeasurements of defined benefit plans for employees, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Items that may be reclassified subsequently to profit or loss														
Change in the fair value of cash flow hedging derivatives, net of the tax effect	-	-	-	-	-	8	-	-	-	-	-	8	(1)	7
Currency translation differences of financial statements currencies other than euro	-	-	-	-	-	-	85	-	11	-	-	96	4	100
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**8**	**85**	**-**	**11**	**-**	**-**	**104**	**3**	**107**
Total comprehensive income (loss) for 2015	**-**	**-**	**-**	**-**	**-**	**8**	**85**	**-**	**11**	**(806)**	**-**	**(702)**	**21**	**(681)**
Transactions with shareholders														
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	(17)	(17)
Retained earnings	-	-	-	-	-	-	-	-	(230)	230	-	-	-	-
Contribution from non-controlling interests Snamprogetti Engineering & Contracting Co Ltd	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(230)**	**230**	**-**	**-**	**(16)**	**(16)**
Other changes in shareholders' equity														
Expired stock options	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Other changes	-	-	-	-	-	-	-	1	2	-	-	3	(1)	2
Transactions with companies under common control	-	-	-	-	-	-	-	-	37	-	-	37	-	37
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**38**	**-**	**-**	**39**	**(1)**	**38**
Balance at December 31, 2015	**441**	**55**	**6**	**88**	**-**	**(267)**	**76**	**(18)**	**3,942**	**(806)**	**(43)**	**3,474**	**45**	**3,519**

Cash flow statement

(€ million)	Note	2014	2015
Net profit (loss) for the year		(230)	(806)
Non-controlling interests		(8)	17
Adjustments to reconcile net profit to net cash provided by operating activities:			
- depreciation and amortisation	(No. 37)	737	741
- net impairment of tangible and intangible assets	(No. 37)	420	219
- share of profit (loss) of equity-accounted investments	(No. 40)	(20)	(16)
- net (gains) losses on disposal of assets		(2)	(18)
- interest income		(9)	(9)
- interest expense		182	200
- income taxes	(No. 41)	118	127
- other changes		(122)	(18)
Changes in working capital:			
- inventories		(130)	242
- trade receivables		312	112
- trade payables		389	(716)
- provisions for contingencies		16	30
- other assets and liabilities		(18)	(136)
Cash flow from working capital		*1,635*	*(31)*
Change in the provision for employee benefits		(4)	(21)
Dividends received		9	1
Interest received		5	14
Interest paid		(177)	(204)
Income taxes paid net of refunds of tax credits		(270)	(266)
Net cash provided by operating activities		**1,198**	**(507)**
of which with related parties [1]	(No. 45)	**1,705**	**1,144**
Investing activities:			
- tangible assets	(No. 8)	(682)	(550)
- intangible assets	(No. 9)	(12)	(11)
- investments	(No. 10)	(9)	(1)
- securities		(9)	(18)
- financing receivables		(43)	(1)
- change in payables and receivables relating to investments		-	1
Cash flow from investing activities		*(755)*	*(580)*
Disposals:			
- tangible assets		8	12
- consolidated subsidiaries and businesses		-	46
- investments		7	97
- securities		27	1
- financing receivables		15	29
Cash flow from disposals		*57*	*185*
Net cash used in investing activities [2]		**(698)**	**(395)**
of which with related parties [1]	(No. 45)	**(21)**	**62**
Proceeds from long-term debt		2,384	457
Repayments of long-term debt		(2,759)	(905)
Increase (decrease) in short-term debt		205	818
		(170)	**370**
Net capital contributions by non-controlling interests		-	1
Dividend distribution		(45)	(17)
Sale of treasury shares		-	-
Net cash from financing activities		**(215)**	**354**

(1) For an analysis of figures shown as 'of which with related parties', see Note 45 'Transactions with related parties'.

cont'd **Cash flow statement**

(€ million)	Note	2014		2015	
Net cash from financing activities		**(215)**		**354**	
of which with related parties [1]	(No. 45)		**(183)**		**464**
Effect of changes in consolidation		-		(2)	
Effect of exchange rate changes and other changes on cash and cash equivalents		18		14	
Net cash flow for the year		**303**		**(536)**	
Cash and cash equivalents - beginning of year	(No. 1)	**1,299**		**1,602**	
Cash and cash equivalents - end of year	(No. 1)	**1,602**		**1,066**	

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

(€ million)	2014	2015
Financing investments:		
- securities	(9)	(18)
- financing receivables	(43)	-
	(52)	**(18)**
Disposal of financing investments:		
- securities	27	1
- financing receivables	15	29
	42	**30**
Net cash flow from investments/disposals related to financing activities	**(10)**	**12**

Notes to the consolidated financial statements

Basis of presentation

The consolidated financial statements of Saipem have been prepared in accordance with the International Financial Reporting Standards (IFRS)[1] issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of EC Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002 and in accordance with Article 9 of Legislative Decree No. 38/2005[2]. The consolidated financial statements have been prepared by applying the cost method, with adjustments where appropriate, except for items that under IFRS must be recognised at fair value, as described in the accounting policies section.

The consolidated financial statements at December 31, 2015, approved by Saipem's Board of Directors on March 16, 2016, 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.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of Saipem SpA and the Italian and foreign companies over which it has control.

An investor controls an investee when it is exposed, or has rights, to variable returns of the investee and has the ability to affect those returns through its decision-making power over the investee. An investor has decision-making power when it has existing rights that give it the current ability to direct the relevant activities of the investee, i.e. the activity that significantly affect the investee's returns.

A number of subsidiaries performing only limited operating activities (considered on both an individual and an aggregate basis) have not been consolidated. Their non-consolidation does not have a material impact[3] on the correct representation of the Group's total assets, liabilities, net financial position and results for the year. These interests are accounted for as described in the following section 'Equity method of accounting'.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

Fully-owned subsidiaries are consolidated using the full consolidation method. Assets and liabilities, and revenues and expenses related to fully consolidated companies are therefore wholly incorporated into the consolidated financial statements. The book value of these interests is eliminated against the corresponding portion of their shareholders' equity.

Equity and net profit attributable to minority interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively.

In the event that additional ownership interests in subsidiaries are purchased from non-controlling shareholders, any excess of the amount paid over the carrying value of the interest acquired is recognised directly in equity attributable to the Saipem Group. The effects of disposals of ownership interests in a subsidiary that do not result in a loss of control are also recognised in equity. Conversely, a disposal of interests that implies loss of control, triggers recognition in the income statement of: (i) any gains or losses calculated as the difference between the consideration received and the carrying amount of the share of net assets disposed of; (ii) any gains or losses attributable to the adjustment of any investment retained at its fair value; (iii) any amounts recognised in other comprehensive income in relation to the former subsidiary that may be reclassified subsequently to profit or loss[4]. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost and shall be accounted for in accordance with the applicable measurement criteria.

If losses applicable to minority interests in a consolidated subsidiary exceed the non-controlling 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 non-controlling interests' share of losses previously absorbed by the majority's interest have been recovered.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method, as indicated in the following section 'Equity method of accounting'.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have enforceable rights to the assets and obligations for the liabilities relating to the arrangement. Saipem's share of the assets, liabilities, revenues and expenses of joint operations is recognised in the consolidated financial statements on the basis of the actual rights and obligations arising from the contractual arrangements. After initial recognition, the assets, liabilities, revenues and expenses relating to a joint operation are accounted for in accordance with the applicable accounting standards. Joint operations, that are separate legal entities non-material, are accounted for using the equity method or,

(1) The IFRS include the International Accounting Standards (IAS), which are still in force, as well as the interpretations issued by the IFRS Interpretations Committee (formerly known as the International Financial Reporting Interpretations Committee, or IFRIC, and before that, the Standing Interpretations Committee, or SIC).
(2) The international accounting standards used in the preparation of the consolidated financial statements are essentially the same as those issued by the IASB and in force in 2015, since the current differences between the IFRS endorsed by the European Commission and those issued by the IASB relate to situations that do not affect the Group.
(3) According to the IASB Conceptual Framework, 'information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements'.
(4) Conversely, any amounts recognised in other comprehensive income in relation to the former subsidiary that may not be reclassified to profit or loss are transferred directly to retained earnings.

if this does not have a significant impact on total assets, liabilities, net financial position and results for the year, measured at cost, adjusted for impairment.

Investments in associates

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

Consolidated companies, non-consolidated subsidiaries, joint ventures, investments in joint operations and associates are indicated in the section 'Scope of consolidation'. 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.

Equity method of accounting

Investments in subsidiaries excluded from consolidation, in joint ventures and in associates are accounted for using the equity method[5].

In accordance with the equity method of accounting, investments are initially recognised at purchase cost. Any difference between the cost of the investment and the Company's share of the fair value of the net identifiable assets of the investment is treated in the same way as for business combinations. Subsequently, the carrying amount is adjusted to reflect: (i) the post-acquisition change in the investor's share of net assets of the investee; (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, joint ventures and associates are accounted for at cost, adjusted for impairment charges. When an impairment loss no longer exists, a reversal of the impairment loss is recognised in the income statement within 'Other income (expense) from investments'.

A disposal of interests that results in a loss of joint control or significant influence causes recognition in the income statement of: (i) any gains or losses calculated as the difference between the consideration received and the carrying amount of the share of net assets disposed of; (ii) any gains or losses attributable to the adjustment of any investment retained at its fair value[6]; (iii) any amounts recognised in other comprehensive income in relation to the investee that may be reclassified subsequently to profit or loss[7]. Any investment retained in the investee is recognised at its fair value at the date when joint control or significant influence are lost and shall be accounted for in accordance with the applicable measurement criteria.

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

Business combinations

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

The shareholders' equity in consolidated companies is determined by attributing to each of the balance sheet items its fair value at the date on which control is acquired[8], except for where International Financial Reporting Standards require otherwise. The excess of the purchase price of an acquired entity over the total fair value assigned to assets acquired and liabilities assumed is recognised as goodwill. Negative goodwill is recognised in the income statement.

In the case of partial control being obtained, the share of equity net of non-controlling interests is determined on the basis of the relevant share of current value attributed to assets and liabilities on the date on which control of the company was obtained, excluding any goodwill that can be attributed to the value (so-called partial goodwill method). Alternatively, the entire amount of goodwill is recognised that was generated by the acquisition, thus considering also the share attributable to the non-controlling interests (so-called full goodwill method); in the latter case the non-controlling interests are stated at their overall fair value, thus also including the goodwill of the non-controlling interests[9]. The choice of either the partial goodwill or the full goodwill method is made for each individual business combination.

Where control of a company is achieved in stages, the purchase cost is determined by adding the fair value of the previously held ownership interest and the consideration paid for the additional ownership interest. Any difference between the fair value of the previous ownership interest and its carrying amount is recognised in the income statement. In addition, when control of a company is obtained, any amounts recognised in other comprehensive income in relation to the company are taken to profit or loss. Amounts that may not be reclassified to profit or loss are recognised in equity.

Where provisional amounts have been recorded for the assets and liabilities of an acquiree during the reporting period in which a business combination occurs, these amounts are retrospectively adjusted within one year of the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

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

Intra-group transactions

Unrealised intercompany profit is eliminated, as are intercompany receivables, payables, revenues and expenses, guarantees (including performance bonds), commitments and risks. 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 the euro are converted into the presentation currency 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).

The cumulative exchange rate differences resulting from the conversion of the financial statements of subsidiaries operating in a currency other than the euro, and deriving from the application of different exchange rates for payables and receivables, are recognised in shareholders' equity and in the income statement under the item 'Cumulative currency translation differences' (included in 'Other reserves') for the portion relating to the Group's share[10]. The currency translation differences reserve is charged to the income statement when an investment is fully disposed of or when control, joint control or significant influence is lost. In such circumstances, the differences are taken to profit or loss under the item 'Other income (expense) from investments'. In the event of a partial disposal that does not result in the loss of control, the portion of exchange differences relating to the interest sold is recognised under minority interest in equity.

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

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

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

Currency	Exchange rate at Dec. 31, 2014	Exchange rate at Dec. 31, 2015	2015 average exchange rate
US Dollar	1.2141	1.0887	1.10951
British Pound Sterling	0.7789	0.73395	0.72585
Algerian Dinar	106.607	116.702	111.361
Angolan Kwanza	124.884	147.295	133.395
Argentine Peso	10.2755	14.0972	10.2599
Australian Dollar	1.4829	1.4897	1.47766
Brazilian Real	3.2207	4.3117	3.70044
Canadian Dollar	1.4063	1.5116	1.41856
Croatian Kuna	7.658	7.638	7.6137
Egyptian Pound	8.68519	8.52049	8.55177
Indian Rupee	76.719	72.0215	71.1956
Indonesian Rupee	15,076.1	15,040.0	14,870.4
Malaysian Ringgit	4.2473	4.6959	4.33733
Nigerian Naira	223.693	216.703	219.515
Norwegian Kroner	9.042	9.603	8.94963
Peruvian New Sol	3.63265	3.70833	3.53237
Qatari Riyal	4.42155	3.96287	4.03903
Romanian New Leu	4.4828	4.524	4.44541
Russian Rouble	72.337	80.6736	68.072
Saudi Arabian Riyal	4.55733	4.08624	4.16202
Singapore Dollar	1.6058	1.5417	1.52549
Swiss Franc	1.2024	1.0835	1.06786

(10) The share of non-controlling interests in the cumulate exchange rate differences resulting from the translation is recognised in equity under 'Non-controlling interests'.

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 realizable 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 contractual price revisions, 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

Available-for-sale financial assets include financial assets other than derivative financial instruments, loans and receivables, held-for-trading financial assets and held-to-maturity financial assets. Held for trading financial assets and available-for-sale financial assets are measured at fair value with gains or losses recognised in the income statement under 'Finance income (expense)' and in the equity reserve[11] related to 'Other items of comprehensive income', respectively. In the latter case, changes in fair value recognised in equity are taken to the income statement when the asset is sold or impaired.
Assets are assessed for objective evidence of an impairment loss. This may include significant breaches of contracts, serious financial difficulties or the high probability of insolvency of the counterparty. Losses are deducted from the carrying amount of the asset.
Interest and dividends on financial assets measured at fair value are accounted for on an accruals basis as 'Finance income (expense)'[12] and 'Other income (expense) from investments', respectively.
When the purchase or sale of a financial asset occurs under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned (e.g. purchase of securities on regulated markets), the transaction is accounted for on the settlement date.
Receivables are stated at amortised cost (see 'Financial fixed assets - Receivables and financial assets held to maturity').

Non-current assets

Tangible assets

Tangible assets are recognised using the cost model and stated at their purchase or production cost including any costs directly attributable to bringing the asset into operation. In addition, when a substantial amount of time is required to make the asset ready for use, the purchase price or production cost includes borrowing costs that theoretically would have been avoided had the investment not been made. The purchase or production cost is net of government grants related to assets, which are only recognised when all the required conditions have been met.
In the case of a present obligation for the dismantling and removal of assets and the restoration of sites, the carrying value includes, with a corresponding entry to a specific provision, the estimated (discounted) costs to be borne at the moment the asset is retired. The accounting treatment of changes in estimates for these provisions, the passage of time and the discount rate are indicated under 'Provisions for contingencies'.
Assets held under finance leases or under leasing arrangements that do not take the legal form of a finance lease but substantially transfer all the risks and rewards of ownership of the leased asset are recognised at fair value, net of taxes due from the lessor or, if lower, at the present value of the minimum lease payments, within tangible assets. A corresponding financial debt payable to the lessor is recognised as a financial liability. These assets are depreciated using the criteria described below. Where it is not reasonably certain that the purchase option will be exercised, leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.
Expenditures on renewals, improvements and transformations that extend the useful lives of the related asset are capitalised when it is likely that they will increase the future economic benefits expected from the asset. Also items purchased for reasons of safety or environmental reasons are capitalised if, although they do not directly increase the future economic benefits expected from existing assets, if they are necessary for obtaining benefits from other tangible assets.

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

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 expected future economic benefits or the residual value of an asset or in the expected pattern of consumption of the future economic benefits flowing from an asset are recognised in the income statement in the year they occur.
Replacement costs of identifiable components in complex assets are capitalised and depreciated over their useful life. The residual book value of the component that has been replaced is charged to the income statement. Improvements to leased assets are depreciated during the useful life of the improvements or, if shorter, during the residual life of the lease, taking into account the possible period of renewal if the renewal depends only on the lessor and is virtually certain. Ordinary maintenance and repair costs, other than the replacements of identifiable components that are part of and do not enhance the performance of the assets, are charged to the income statement of the year in which they were incurred.
The carrying value of tangible assets is reviewed for impairment whenever events indicate that the carrying amounts for those assets may not be recoverable. The recoverability of an asset is assessed by comparing its carrying value with the recoverable amount, represented by the higher of fair value less costs to sell and value in use.
Value in use is the present value of the future cash flows expected to be derived from the use of the asset and, if significant and reasonably determinable, from its disposal at the end of its useful life, net of disposal costs. Cash flows are determined on the basis of reasonable and documented assumptions that represent the best estimate of the future economic conditions during the remaining useful life of the asset, giving more importance to independent assumptions. Discounting is carried out at a rate that reflects current market assessments of the time value of money and the risks specific to the asset that are not reflected in the estimate of future cash flows. The discount rate used is the Weighted Average Cost of Capital (WACC) adjusted for risks specific to the market. Value in use is calculated net of the tax effect, as this method results in values similar to those resulting from discounting pre-tax cash flows at a pre-tax discount rate deriving, through an iteration process, from a post-tax valuation.
Valuation is carried out for each single asset or, if the realisable value of single assets cannot be determined, for the smallest identifiable group of assets that generates independent cash inflows from their continuous use, referred to as cash generating units. If the reasons for impairment cease to exist, the impairment loss is reversed to the income statement as income from revaluation. The value of the asset is written back to the lower of the recoverable amount and the original book value before impairment, less the depreciation that would have been charged had no impairment loss been recognised.

Tangible assets are eliminated at the moment of their disposal or when no future economic benefit is expected from their use or disposal; the relative profit or loss is reported in the income statement.
Tangible assets destined for specific operating projects, for which no further future use is envisaged due to the peculiarities 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 intangible 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[13], 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. In allocating the impairment loss, the carrying amount of assets with a finite useful life are not reduced below their recoverable amount. Impairment charges against goodwill are not reversed[14].
Intangible assets are eliminated at the moment of their disposal or when no future economic benefit is expected from their use or disposal; the relative profit or loss is reported in the income statement.

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;

(13) For the definition of recoverable amount see 'Tangible assets'.
(14) 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.

(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 related to assets

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

Financial fixed assets

INVESTMENTS

Financial assets that are equity investments[15] are measured at fair value, with changes reported in the other comprehensive income component of shareholders' equity. Changes in fair value recognised in equity are charged to the income statement when the investment is sold or impaired.
When investments are not traded in a public market and fair value cannot be reasonably determined, investments are accounted for at cost, adjusted for impairment losses, which may not be reversed[16].

RECEIVABLES AND HELD-TO-MATURITY FINANCIAL ASSETS

Receivables and financial assets to be held to maturity are stated at cost, represented by the fair value of the initial exchanged amount adjusted to take into account direct external costs related to the transaction (e.g. fees of agents or consultants, etc.). The initial carrying value is then adjusted to take into account capital repayments, 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. 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.
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.
Immediately before being classified as being held for sale, the assets and liabilities of a disposal group are reported according to the accounting standards that apply to the assets and liabilities. Subsequently, the non-current assets held for sale are not depreciated and are measured at the lower of the fair value less costs to sell and their carrying amount. The classification of an equity-accounted investment, or of a portion thereof, as held for sale requires the suspension of the application of this method of accounting in relation to the entire investment or to the portion thereof. In such cases, the carrying amount is therefore equal to the value deriving from the application of the equity method at the date of reclassification. Any retained portion of the investment that has not been classified as held for sale is accounted for using the equity method until the conclusion of the sale plan. After the disposal takes place, the retained interest is accounted for using the applicable measurement criteria indicated under 'Financial fixed assets - Investments', unless it continues to be accounting for using the equity method.
Any difference between the carrying amount of non-current assets 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. The results of discontinued operations are also reported in the comparative figures for prior years.

Financial liabilities

Financial liabilities other than derivatives are carried at amortised cost (see 'Financial fixed assets - Receivables and held-to-maturity financial assets' above).

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset in the balance sheet when they can be legally offset in the current year and it is intended to offset on a net basis (i.e. to realise the asset and remove the liability simultaneously).

(15) For investments in joint ventures and associates, see 'Equity method of accounting' above.
(16) 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.

Derecognition of financial assets and liabilities

Financial assets that have been transferred are derecognised from the balance sheet when the contractual rights to the cash flows from the asset are extinguished or expire or are transferred to third parties. Financial liabilities are 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. The estimate revisions of the provisions are recognised in the same income statement item previously used to accrue the provision, or, when the liability regards tangible assets, variations of provision estimates of costs are recognised with 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

Employee benefits are the remuneration paid by the company for the work done by the employee or by virtue of the termination of employment. 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 net interest, which is recognised in profit or loss, includes the expected return on plan assets and the interest cost. Net interest is determined by applying the discount rate for liabilities to liabilities net of any plan assets. The net interest on defined benefit plans is posted to 'Finance income (expenses)'.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses arising from changes in actuarial assumptions or from experience adjustments and the return on plan assets excluding amounts included in net interest, are recognised in the statement of other comprehensive income. Remeasurements of net defined benefit assets, excluding amounts included in net interest, are also recognised in the statement of other comprehensive income. Remeasurements of net defined benefit liabilities recognised in other comprehensive income are not subsequently reclassified to profit or loss.

Long-term benefits obligations are determined by adopting actuarial assumptions. The effects of remeasurement are taken to profit or loss in their entirety.

Treasury shares

Treasury shares are 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. Other 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 counterparty 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. Revenues received or receivables on behalf of third parties are not considered to be revenues.

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[17]. 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'.
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.

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 exchange rate as at the date of initial recognition. Non-monetary assets that are remeasured at fair value (i.e. at their recoverable amount or realisable value), are translated at the exchange rate applicable on the date of remeasurement.

Dividends

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

Income taxes

Current income taxes are determined on the basis of estimated taxable income. The estimated liability is recognised in 'Income tax payables'. Current income tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.
Deferred tax assets or liabilities are recognised for temporary differences between the carrying amounts and tax bases of assets and liabilities, based on tax rates and tax laws that have been enacted or substantively enacted for future years. Deferred tax assets are recognised when their recovery is considered probable. The recoverability of deferred taxes is considered probable when it is expected that sufficient taxable profit will be available in the periods in which the temporary differences reverse against which deductible temporary differences can be utilised. Similarly, unused tax credits and deferred tax assets on tax losses are recognised to the extent that they can be recovered.
Income tax assets related to uncertain tax positions are recognised when it is probable that they will be recovered.
For temporary differences associated with investments in subsidiaries, associates and joint arrangements, deferred tax liabilities are not recorded if the investor is able to control the timing of the reversal of the temporary difference and it is probable that the reversal will not occur in the foreseeable future.
Deferred tax assets and liabilities are recorded under non-current assets and liabilities and are offset at single entity level if related to offsettable taxes. The balance of the offset, if positive, is recognised under 'Deferred tax assets' and, if negative, under 'Deferred tax liabilities'.
When the results of transactions are recognised directly in shareholders' equity, current taxes, deferred tax assets and liabilities are also charged to 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.
Consistently with its business requirements, Saipem classifies derivatives as hedging instruments whenever possible. The fair value of derivative liabilities takes into account the issuer's own non-performance risk (see 'Fair value measurement').
Derivatives are classified as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, assessed on an ongoing basis, is demonstrated to be high. When hedging instruments cover the risk of changes in the fair value of the hedged item (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,

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

even where the type of financial instrument in question would require the application of a different measurement criteria.
A cash flow hedge is a hedge of the exposure to variability in cash flows that could affect profit or loss and that is attributable to a particular risk associated with a recognised asset or liability (such as future interest payments on variable rate debt) or a highly probable forecast transaction, such as project income/costs.
The effective portion of changes in fair value of derivatives designated as hedges under IAS 39 is recorded initially in a hedging reserve related to other items of comprehensive income. This reserve is recognised in the income statement in the period in which the hedged item affects profit or loss.
The ineffective portion of changes in fair value of derivatives, as well as the entire change in fair value of those derivatives not designated as hedges or that do not meet the criteria set out in IAS 39, are taken directly to the income statement under 'Financel income (expenses)'.
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)'.
The derivatives embedded in hybrid instruments are separate from the main contract and are recognised separately if the hybrid instrument is overall not measured at fair value with income statement effects being reported and if the characteristics and risks of the derivative are not closely connected to those of the main contract. The test for the existence of embedded derivatives that must be separated and stated is run at the moment in which the company becomes part of the contract and subsequently in the presence of amendments to the contract conditions that cause significant variations in the cash flows generated by the amendments.

Fair value measurement

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

Consolidated financial statements[18]

Assets and liabilities of the balance sheet are classified as current and non-current. Items of the income statement are presented by nature[19].
The statement of comprehensive income shows the net result together with income and expenses that are recognised directly in equity in accordance with IFRS.
The statement of changes in shareholders' equity includes profit and loss for the year, transactions with shareholders and other changes in shareholders' equity.
The cash flow statement is prepared using the indirect method, whereby net profit is adjusted for the effects of non-cash transactions.

Changes to accounting standards

European Commission Regulation No. 2015/29 dated December 17, 2014 approved the amendments to IAS 19 'Defined Benefit Plans: Employee Contributions', which allow defined benefit plan contributions from employees or third parties to be recognised as a reduction in the service cost in the period in which the related service is rendered, provided that the contributions: (i) are set out in the formal terms of the plan; (ii) are linked to service; (iii) are independent of the number of years of service (e.g. a fixed percentage of the employee's salary, a fixed amount throughout the service period or contributions that are dependent on the employee's age). European Commission Regulation (EU) No. 2015/28 of December 17, 2014 formally adopted the document 'Annual Cycle of Improvements to IFRS 2010-2012' containing essentially technical and editing amendments to the international accounting standards.
Under previous EU endorsement regulations the amendments to the accounting standards are effective and applicable for annual periods beginning on or after February 1, 2015, with earlier application permitted. Saipem has opted to apply the above mentioned provisions earlier, starting from the 2015 annual period. The application of these principles did not generated any significant effect.
The other amendments to accounting standards coming into effect on January 1, 2015 did not have any significant impact.

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;

(18) The structure of the financial statements is the same as that used in the 2014 Annual Report.
(19) Additional information regarding financial instruments, applying the classification required by IFRS, is provided under Note 32 'Guarantees, commitments and risks - Additional information on financial instruments'.

(iii) the liquidity risk deriving from the risk that suitable sources of funding for the Group's operations may not be available;
(iv) risks related to the possible downgrading of the rating.

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.

Market risk - Exchange rate risk

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

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

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

Saipem uses a number of different types of derivative contract to reduce economic and transaction exposure, such as currency swaps, forwards and options. Such derivatives are evaluated by the Eni 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 2015 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. Furthermore, it should be noted that the Company does not undertake hedges against the risk deriving from foreign currency movements and, in compliance with IFRS 7, does not consider the effects of the conversion of financial statements of consolidated companies with functional currencies other than the euro.

In light of the above, although Saipem adopts a strategy targeted at minimising currency or transaction exposure through the use of various types of derivatives (swaps, outrights and forwards), it cannot be excluded that exchange rate fluctuations may significantly influence the Group's results and the comparison of results of individual financial years.

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 -€63 million (-€46 million at December 31, 2014) and an overall effect on shareholders' equity, before related tax effects, of -€342 million (-€377 million at December 31, 2014).

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 €63 million (€46 million at December 31, 2014) and an overall effect on shareholders' equity, before related tax effects, of €342 million (€377 million at December 31, 2014).

The increases/decreases with respect to the previous year are essentially due to the performance of currencies at maturity dates and to variations in the assets and liabilities exposed to exchange rate fluctuations.

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

	2014				2015			
	+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
Derivative financial instruments	(25)	(356)	25	356	(29)	(308)	29	308
Trade and other receivables	109	109	(109)	(109)	105	105	(105)	(105)
Trade and other payables	(122)	(122)	122	122	(95)	(95)	95	95
Cash and cash equivalents	45	45	(45)	(45)	8	8	(8)	(8)
Short-term debt	(24)	(24)	24	24	(46)	(46)	46	46
Medium/long-term debt	(29)	(29)	29	29	(6)	(6)	6	6
Total	**(46)**	**(377)**	**46**	**377**	**(63)**	**(342)**	**63**	**342**

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

		Dec. 31, 2014			Dec. 31, 2015		
(€ million)	Currency	Total	Δ -10%	Δ +10%	Total	Δ -10%	Δ +10%
Receivables							
	USD	995	(100)	100	970	(97)	97
	JPY	1	-	-	23	(2)	2
	AED	43	(4)	4	20	(2)	2
	NOK	23	(2)	2	20	(2)	2
	Other currencies	25	(3)	3	16	(2)	2
Total		**1,087**	**(109)**	**109**	**1,049**	**(105)**	**105**
Payables							
	USD	874	87	(87)	679	68	(68)
	GBP	98	9	(9)	70	7	(7)
	AED	55	6	(6)	36	4	(4)
	SGD	17	2	(2)	33	3	(3)
	NOK	36	4	(4)	28	3	(3)
	AUD	38	4	(4)	20	2	(2)
	KWD	32	3	(3)	20	2	(2)
	PLN	7	1	(1)	20	2	(2)
	Other currencies	62	6	(6)	45	4	(4)
Total		**1,219**	**122**	**(122)**	**951**	**95**	**(95)**

Market risk - Interest rate risk

Interest rate fluctuations influence the market value of the company's financial assets and the level of net finance expense, since some loans are agreed on a variable interest rate basis. 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). Although Saipem adopts a strategy targeted at minimising its exposure to interest rate risk through the pursuit of financial structure objectives defined and approved by the Board of Directors, it is not to be excluded that interest rate fluctuations could significantly influence the Group's results and the comparability of the results of individual financial years.

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. 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 -€13 million (-€11 million at December 31,

2014) and an overall effect on shareholders' equity, before related tax effects, of €13 million (-€11 million at December 31, 2014). A negative variation in interest rates would have produced an overall effect on pre-tax profit of €13 million (€11 million at December 31, 2014) and an overall effect on shareholders' equity, before related tax effects, of €13 million (€11 million at December 31, 2014).

The increases/decreases with respect to the previous year are essentially due to the performance of interest rates at maturity 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.

	2014				2015			
	+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	-	-	-	-	-	-	-	-
Short-term debt	(6)	(6)	6	6	(8)	(8)	8	8
Medium/long-term debt	(5)	(5)	5	5	(5)	(5)	5	5
Total	**(11)**	**(11)**	**11**	**11**	**(13)**	**(13)**	**13**	**13**

Market risk - Commodity
Saipem's results are affected by changes in the prices of oil products (fuel oil, lubricants, bunker oil, etc.) and raw materials, since they represent associated costs in the running of vessels, offices and yards and the implementation of projects and investments.
In order to reduce its commodity risk, in addition to adopting solutions at a commercial level, Saipem also trades over the counter derivatives (swap and bullet swaps in particular) whose underlying commodities are oil products (mainly gasoil and naphtha) through Eni Trading & Shipping (ETS) on the organised markets of ICE and NYMEX where the relevant physical commodity market is well correlated to the financial market and is price efficient.
As regards commodity price risk management, derivative instruments on commodities are entered into by Saipem to hedge underlying contractual commitments. Hedge transactions may also be entered into in relation to future underlying contractual commitments, provided these are highly probable. Despite the hedging instruments adopted by the Company to control and manage price risks, Saipem cannot guarantee that they will be either efficient or adequate or that in future it will still be able to use such instruments.
Such derivatives 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.

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. It should be noted that, on the basis of the distribution of trade receivables due from clients, the company does not believe that there is a risk of concentration associated with one or more clients.
The company did not have any significant cases of non-performance by counterparties. Despite the measures implemented by the Company to avoid the concentration of risk and/or activities and the identification of parameters and conditions within which transactions involving derivative instruments are allowed, in the light of the current critical situation of the financial markets it cannot be excluded that a part of the Group's clients may delay or even default on payments under the terms and conditions established. Any delay or default in payment by the main clients may imply difficulties in the execution and/or completion of projects, or the need to recover costs and expenses through legal action.

LIQUIDITY RISK
The evolution of working capital and of financial requirements is strongly influenced by the invoicing time frames for work-in-progress and the collection of the relevant receivables. Consequently, and despite the fact that the Group has implemented measures targeted at ensuring that adequate levels of working capital and liquidity are maintained, possible delays in the progress of projects and/or in the definition of situations being finalised with clients, may have an impact on the capacity and/or on the time frames for the generation of cash flows.
Liquidity risk is the risk that suitable sources of funding for the Group may not be available (funding liquidity risk), or that the Group is unable to sell its assets on the market place (asset liquidity risk), making it unable to meet its short-term finance requirements and settle obligations. Such a situation would negatively impact the Group's results as it would result in the company incurring higher borrowing expenses to meet its obligations or under the worst of conditions the inability of the company to continue as a going concern. As part of its financial planning process, Saipem manages liquidity risk by targeting a capital structure that guarantees a level of liquidity adequate for the Groups' needs, optimising the opportunity cost of maintaining liquidity reserves and achieving an optimal profile in terms of maturity and composition of debt in accordance with business objectives and prescribed limits.
At present, in spite of the current market conditions, Saipem believes it has access to sufficient funding and borrowing facilities to meet currently foreseeable requirements, thanks to a use of credit lines that is both flexible and targeted to meet business needs.
The liquidity management policies used have the objective of ensuring both adequate funding to meet short-term requirements and obligations

and a sufficient level of operating flexibility to fund Saipem's development plans, while maintaining an adequate finance structure in terms of debt composition and maturity.
Saipem avails of lines of credit to cover its overall financial requirements and any temporary fluctuations. To this end, the Group has defined part of its debt on a medium- to long-term basis by taking out of a series of three to five year loans with the aim of covering investments made and part of its working capital.
As of December 31, 2015, Saipem maintained unused borrowing facilities of €1,739 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.

RISKS RELATED TO THE POSSIBLE DOWNGRADING OF THE RATING
On October 28, 2015, the Company obtained from Standard & Poor's Ratings Services a 'BBB-' preliminary long term corporate credit rating with a 'stable' outlook and a 'BBB-' preliminary issue rating for the Term Facility and the Revolving Facility. On the same date Moody's Investor Service assigned the company a '(P)Baa3' provisional issuer rating with a 'stable' outlook. The rating levels assigned to the Company were determined by the main ratings agencies on the basis of the assessment of a series of parameters including the operating risk profile, the financial risk profile, the level of liquidity and the solidity of the Group to which it belongs.
The assigned ratings are currently being reviewed and may be downgraded (credit watch negative). In the event that the Company does not maintain the results measured by one or more indicators, or there is a deterioration of the market scenario and the international context, a downgrading of the rating attributed by the agencies could ensue, with a consequent increase in cost of borrowings and greater difficulty in accessing the capital markets.

Finance, trade and other payables

The following table shows the amounts of payments due. These are mainly financial payables, including interest payments.

	Maturity						
(€ million)	2016	2017	2018	2019	2020	After	Total
Long-term debt	656	1,050	260	1,487	44	-	3,497
Short-term debt	3,016	-	-	-	-	-	3,016
Fair value of derivative instruments	158	5	-	-	-	-	163
Total	**3,830**	**1,055**	**260**	**1,487**	**44**	**-**	**6,676**
Interest on debt	99	83	48	24	-	-	254

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

	Maturity			
(€ million)	2016	2017-2020	After	Total
Trade payables	2,638	-	-	2,638
Other payables and advances	2,548	37	-	2,585

Outstanding contractual obligations

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

	Maturity						
(€ million)	2016	2017	2018	2019	2020	After	Total
Non-cancellable operating leases	108	110	75	70	64	196	623

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

	Maturity
(€ million)	2016
Committed on major projects	-
Other committed projects	62
Total	**62**

Use of accounting estimates

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

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

IMPAIRMENT OF ASSETS
Impairment losses are recognised if events and changes in circumstances indicate that the carrying amount of assets may not be recoverable.
Impairment is recognised in the event of significant permanent changes in the outlook for the market segment in which the asset is used. Determining as to whether and how much an asset is impaired involves management estimates on complex and highly uncertain factors, such as future market performances, the effects of inflation and technological improvements on operating costs, and the outlook for global or regional market supply and demand conditions.
The amount of an impairment loss is determined by comparing the carrying value of an asset with its recoverable amount (the higher of fair value less costs to sell and value in use calculated as the present value of the future cash flows expected to be derived from the use of the asset net of disposal costs). The expected future cash flows used for impairment reviews are based on judgemental assessments of future variables such as prices, costs, demand growth rate and production volumes, considering the information available at the date of the review and are discounted at a rate that reflects the risk inherent in the relevant activity. Goodwill and other intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying 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 carrying amount of the cash generating unit, including goodwill allocated thereto, exceeds the cash generating unit's recoverable amount, the excess is recognised as impairment. The impairment loss is first allocated to reduce the carrying amount of goodwill. Any remaining excess is allocated to the other assets of the unit pro-rata on the basis of the carrying amount of each asset forming the cash generating unit. In allocating the impairment loss, the carrying amount of assets with a finite useful life are not reduced below their recoverable amount.

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

Recent accounting principles

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

European Commission Regulation (EU) 2015/2173 of November 24, 2015 formally adopted the amendment to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' ('amendment to IFRS 11'), which establishes the accounting treatment to be applied for acquisitions of initial interests or the acquisition of an additional interest in the same joint operation (whilst retaining joint control) in circumstances in which the activity of the joint operation constitutes a business, as defined in IFRS 3. Under the amendment, the interest acquired in the joint operation is recognised in accordance with the applicable provisions for business combinations, which include: (i) measuring identifiable assets and liabilities at fair value, other than items for which exceptions are given in other IFRSs; (ii) recognising acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received; (iii) recognising deferred tax assets and deferred tax liabilities that arise from the initial recognition of assets or liabilities, except for deferred tax liabilities that arise from the initial recognition of goodwill; (iv) recognising the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, if any, as goodwill; (v) testing for impairment a cash generating unit to which goodwill has been allocated at least annually, and whenever there is an indication that the unit may be impaired. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016.

European Commission Regulation (EU) 2015/2231 of December 2, 2015 formally adopted the amendments to IAS 16 and to IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' (known hereinafter as amendments to IAS 16 and to IAS 38), on the basis of which amortisation based on revenues is deemed to be inappropriate. However, the IASB has also indicated that under limited circumstances this presumption can be overcome, specifically when: (i) in which an entity's rights over its use of an intangible asset are linked to the achievement of a specific revenue threshold; or (ii) when it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated. The amendments to IAS 16 and IAS 38 are effective for annual periods beginning on or after January 1, 2016.

Regulation 2015/2406 of December 18, 2015 formally adopted the amendments to IAS 1 'Disclosure Initiative', essentially containing clarifications of the method of presenting financial statements, making explicit the reference to the concept of significance also for notes on financial statements. The amendments to IFRS 1 are effective for annual periods beginning on or after January 1, 2016.

Regulation 2015/2441 of December 18, 2015 formally adopted the amendments to IAS 27 'Equity Method in Separate Financial Statements', which introduces the possibility of using the equity method to report investments in subsidiaries, joint ventures and associates in the separate financial statements. The amendment to IFRS 27 is effective for annual periods beginning on or after January 1, 2016.

European Commission Regulation (EU) 2015/2343 of December 15, 2015 formally adopted the document 'Annual Cycle of Improvements to IFRS 2012-2014' containing essentially technical and editing amendments to the international accounting standards. The amendments are effective for annual periods beginning on or after January 1, 2016.

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

On May 28, 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15), which sets out requirements regarding the timing and the amount of recognition of revenues arising from contracts with customers (including construction contracts). IFRS 15 requires revenue recognition to be based on the following five steps: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contracts; (v) recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also requires entities to include additional disclosures in their financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with customers. IFRS 15 provisions are effective for annual periods beginning on or after January 1, 2018.

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

On September 11, 2014, the IASB issued amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (hereafter amendments to IFRS 10 and IAS 28), which establish requirements for accounting for gains or losses arising on the loss of control of a subsidiary that is transferred to an associate or joint venture. On December 17, 2015, the IASB published the amendment that deferred indefinitely the application of the amendments to IFRS 10 and to IAS 28.

On January 13, 2016, the IASB issued IFRS 16 'Leases' (known hereinafter as IFRS 16) that replaces IAS 17 and the corresponding interpretations. In particular, IFRS 16 defines leasing as a contract that entitles the lessee to use an asset for a certain period of time for a consideration. The new accounting standard eliminates the classification of leases as operating or financial leases for the financial statements of companies that operate as lessees; for all lease agreements lasting more than 12 months an asset must be reported representing the use entitlement, and a liability, representing the obligation to make the payments specified in the lease agreement. Otherwise, for the lessor's financial statements, the distinction between operating and financial leases is maintained. IFRS 16 reinforces the financial statements reporting for both the lessee and the lessor. The provisions of IFRS 16 come into force on January 1, 2019.

On January 19, 2016, the IASB issued the amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses', which: (i) confirm the existence of a timing difference that is deductible in the case of a carrying amount of assets that are reported at fair value that is less than the tax base (e.g. a fixed-rate security whose fair value is less than the value recognised for tax purposes); (ii) allow the possibility for future taxable income to consider, in the presence of appropriate evidence of this probability, the fact that some company assets are recovered at a value that is greater than the carrying amount. This event may occur in the case of a fixed-rate security stated at the balance sheet date at less than the reimbursement value, which the company intends to hold until the maturity date and for which the contractually established cash flows are expected to be collected; (iii) they specify that future taxable income to be considered for the purposes of reporting a deferred tax asset must not include tax educations arising on the date of cancellation of the deductible timing differences; (iv) they ask, when a company evaluates the likelihood of achieving sufficient taxable income in the annual period of cancellation of the deductible timing differences, to consider possible limitations set by tax regulations to the type of taxable income in relation to which the tax deductions are made. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2017.

On January 29, 2016, the IASB issued the amendments to IAS 7 'Disclosure Initiative', which reinforces disclosure obligations in the event of monetary and non-monetary changes in financial liabilities. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2017.

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, 2015

Parent company

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

Subsidiaries

Italy

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

Outside Italy

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

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Saigut SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	90,050,000	Saimexicana SA de Cv	100.00	100.00	F.C.
SAIMEP Lda	Maputo (Mozambique)	MZN	70,000,000	Saipem SA Saipem International BV	99.98 0.02	100.00	F.C.
Saimexicana SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	2,738,411,200	Saipem SA	100.00	100.00	F.C.
Saipem (Beijing) Technical Services Co Ltd	Beijing (China)	USD	1,750,000	Saipem International BV	100.00	100.00	F.C.
Saipem (Malaysia) Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	1,033,500	Saipem International BV Third parties	41.94 58.06	100.00	F.C.
Saipem (Nigeria) Ltd	Lagos (Nigeria)	NGN	259,200,000	Saipem International BV Third parties	89.41 10.59	89.41	F.C.
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	Caniçal (Portugal)	EUR	299,278,738	Saipem International BV	100.00	100.00	F.C.
Saipem America Inc	Wilmington (USA)	USD	50,000,000	Saipem International BV	100.00	100.00	F.C.
Saipem Argentina de Perforaciones, Montajes y Proyectos Sociedad Anónima, Minera, Industrial, Comercial y Financiera (**) (***)	Buenos Aires (Argentina)	ARS	1,805,300	Saipem International BV Third parties	99.90 0.10	99.90	E.M.
Saipem Asia Sdn Bhd	Kuala Lumpur (Malaysia)	MYR	8,116,500	Saipem International BV	100.00	100.00	F.C.
Saipem Australia Pty Ltd	West Perth (Australia)	AUD	14,800,000	Saipem International BV	100.00	100.00	F.C.
Saipem Canada Inc	Montreal (Canada)	CAD	100,100	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting (Nigeria) Ltd	Lagos (Nigeria)	NGN	827,000,000	Saipem International BV Third parties	97.94 2.06	97.94	F.C.
Saipem Contracting Algérie SpA	Algeri (Algeria)	DZD	1,556,435,000	Sofresid SA	100.00	100.00	F.C.
Saipem Contracting Netherlands BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV	100.00	100.00	F.C.
Saipem Contracting Prep SA	Panama (Panama)	USD	500	Saipem SA	100.00	100.00	F.C.
Saipem do Brasil Serviçõs de Petroleo Ltda	Rio de Janeiro (Brazil)	BRL	1,380,796,299	Saipem International BV	100.00	100.00	F.C.
Saipem Drilling Co Private Ltd	Mumbai (India)	INR	50,273,400	Saipem International BV Saipem SA	49.73 50.27	100.00	F.C.
Saipem Drilling Norway AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem East Africa Ltd	Kampala (Uganda)	UGX	50,000,000	Saipem International BV Third parties	51.00 49.00	51.00	E.M.
Saipem Finance International BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV	100.00	100.00	Co.
Saipem India Projects Private Ltd	Chennai (India)	INR	407,000,000	Saipem SA	100.00	100.00	F.C.
Saipem Ingenieria y Construcciones SLU	Madrid (Spain)	EUR	80,000	Saipem International BV	100.00	100.00	F.C.
Saipem International BV	Amsterdam (Netherlands)	EUR	172,444,000	Saipem SpA	100.00	100.00	F.C.
Saipem Libya LLC - SA.LI.CO. Llc	Tripoli (Libya)	LYD	10,000,000	Saipem International BV Snamprogetti Netherlands BV	60.00 40.00	100.00	F.C.
Saipem Ltd	Kingston upon Thames, Surrey (United Kingdom)	EUR	7,500,000	Saipem International BV	100.00	100.00	F.C.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
Saipem Luxembourg SA	Luxembourg (Luxembourg)	EUR	31,002	Saipem Maritime Asset Management Luxembourg Sàrl Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.99 0.01	100.00	F.C.
Saipem Maritime Asset Management Luxembourg Sàrl	Luxembourg (Luxembourg)	USD	378,000	Saipem SpA	100.00	100.00	F.C.
Saipem Misr for Petroleum Services (S.A.E.)	Port Said (Egypt)	EUR	2,000,000	Saipem International BV ERS - Equipment Rental & Services BV Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	99.92 0.04 0.04	100.00	F.C.
Saipem Norge AS	Sola (Norway)	NOK	100,000	Saipem International BV	100.00	100.00	F.C.
Saipem Offshore Norway AS	Sola (Norway)	NOK	120,000	Saipem SpA	100.00	100.00	F.C.
Saipem SA	Montigny le Bretonneux (France)	EUR	26,488,695	Saipem SpA	100.00	100.00	F.C.
Saipem Services México SA de Cv	Delegacion Cuauhtemoc (Mexico)	MXN	50,000	Saimexicana SA de Cv	100.00	100.00	F.C.
Saipem Singapore Pte Ltd	Singapore (Singapore)	SGD	28,890,000	Saipem SA	100.00	100.00	F.C.
Saipem Ukraine Llc	Kiev (Ukraine)	EUR	4,206,061	Saipem International BV Saipem Luxembourg SA	99.00 1.00	100.00	F.C.
Saiwest Ltd (***)	Accra (Ghana)	GHS	937,500	Saipem SA Third parties	80.00 20.00	80.00	Co.
Sajer Iraq Co for Petroleum Services, Trading, General Contracting & Transport Llc	Baghdad (Iraq)	IQD	300,000,000	Saipem International BV Third parties	60.00 40.00	60.00	F.C.
Saudi Arabian Saipem Ltd	Al-Khobar (Saudi Arabia)	SAR	5,000,000	Saipem International BV Third parties	60.00 40.00	60.00	F.C.
Sigurd Rück AG	Zurich (Switzerland)	CHF	25,000,000	Saipem International BV	100.00	100.00	F.C.
Snamprogetti Engineering & Contracting Co Ltd	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Snamprogetti Netherlands BV Third parties	70.00 30.00	70.00	F.C.
Snamprogetti Engineering BV	Amsterdam (Netherlands)	EUR	18,151	Saipem Maritime Asset Management Luxembourg Sàrl	100.00	100.00	F.C.
Snamprogetti Ltd (**)	London (United Kingdom)	GBP	9,900	Snamprogetti Netherlands BV	100.00	100.00	F.C.
Snamprogetti Lummus Gas Ltd	Sliema (Malta)	EUR	50,000	Snamprogetti Netherlands BV Third parties	99.00 1.00	99.00	F.C.
Snamprogetti Netherlands BV	Amsterdam (Netherlands)	EUR	203,000	Saipem SpA	100.00	100.00	F.C.
Snamprogetti Romania Srl	Bucharest (Romania)	RON	5,034,100	Snamprogetti Netherlands BV Saipem International BV	99.00 1.00	100.00	F.C.
Snamprogetti Saudi Arabia Co Ltd Llc	Al-Khobar (Saudi Arabia)	SAR	10,000,000	Saipem International BV Snamprogetti Netherlands BV	95.00 5.00	100.00	F.C.
Sofresid Engineering SA	Montigny le Bretonneux (France)	EUR	1,267,143	Sofresid SA Third parties	99.99 0.01	100.00	F.C.
Sofresid SA	Montigny le Bretonneux (France)	EUR	8,253,840	Saipem SA	100.00	100.00	F.C.
Sonsub International Pty Ltd	Sydney (Australia)	AUD	13,157,570	Saipem International BV	100.00	100.00	F.C.

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

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	E.M.
Baltica Scarl (***)	Rome	EUR	10,000	Saipem SpA Third parties	50.00 50.00	50.00	E.M.
CEPAV (Consorzio Eni per l'Alta Velocità) Due	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	52.00 48.00	52.00	E.M.
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	San Donato Milanese	EUR	51,646	Saipem SpA Third parties	50.36 49.64	50.36	E.M.
Consorzio F.S.B.	Venice - Marghera	EUR	15,000	Saipem SpA Third parties	28.00 72.00	28.00	Co.
Consorzio Sapro	San Giovanni Teatino	EUR	10,329	Saipem SpA Third parties	51.00 49.00	51.00	Co.
Modena Scarl (**)	San Donato Milanese	EUR	400,000	Saipem SpA Third parties	59.33 40.67	59.33	E.M.
Rodano Consortile Scarl	San Donato Milanese	EUR	250,000	Saipem SpA Third parties	53.57 46.43	53.57	E.M.
Rosetti Marino SpA	Ravenna	EUR	4,000,000	Saipem SA Third parties	20.00 80.00	20.00	E.M.
Ship Recycling Scarl	Genoa	EUR	10,000	Saipem SpA Third parties	51.00 49.00	51.00	W.I.

Outside Italy

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
02 Pearl Snc	Montigny le Bretonneux (France)	EUR	1,000	Saipem SA Third parties	50.00 50.00	50.00	E.M.
CCS LNG Mozambique Lda	Maputo (Mozambique)	MZN	150,000	Saipem International BV Third parties	33.33 66.67	33.33	E.M.
CCS Netherlands BV (***)	Amsterdam (Netherlands)	EUR	300,000	Saipem International BV Third parties	33.33 66.67	33.33	E.M.
Charville - Consultores e Serviços Lda	Funchal (Portugal)	EUR	5,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
CMS&A Wll	Doha (Qatar)	QAR	500,000	Snamprogetti Netherlands BV Third parties	20.00 80.00	50.00	E.M.
CSC Japan Godo Kaisha (***)	Yokohama (Japan)	JPY	3,000,000	CCS Netherlands BV	100.00	33.33	E.M.
CSFLNG Netherlands BV	Amsterdam (Netherlands)	EUR	600,000	Saipem SA Third parties	50.00 50.00	50.00	E.M.
FPSO Mystras - Produção de Petròleo Lda	Funchal (Portugal)	EUR	50,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Hazira Cryogenic Engineering & Construction Management Private Ltd	Mumbai (India)	INR	500,000	Saipem SA Third parties	55.00 45.00	55.00	E.M.
KWANDA Suporte Logistico Lda	Luanda (Angola)	AOA	25,510,204	Saipem SA Third parties	40.00 60.00	40.00	E.M.
LNG - Serviços e Gestao de Projectos Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Mangrove Gas Netherlands BV	Amsterdam (Netherlands)	EUR	2,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Petromar Lda	Luanda (Angola)	USD	357,143	Saipem SA Third parties	70.00 30.00	70.00	E.M.

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

Company	Registered office	Currency	Share capital	Shareholders	% held	% Saipem's consolidation	Method of consolidation or accounting principle (*)
S.B.K. Baltica Società Consortile a Responsabilità Limitata Spólka Komandytowa (***)	Gdańsk (Poland)	PLN	10,000	Saipem SpA Baltica Scarl Third parties	49.00 2.00 49.00	50.00	Co.
Sabella SAS	Quimper (France)	EUR	5,263,495	Sofresid Engineering SA Third parties	22.04 77.96	22.04	E.M.
Saidel Ltd	Victoria Island - Lagos (Nigeria)	NGN	236,650,000	Saipem International BV Third parties	49.00 51.00	49.00	E.M.
Saipar Drilling Co BV	Amsterdam (Netherlands)	EUR	20,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Saipem Dangote E&C Ltd (***)	Victoria Island - Lagos (Nigeria)	NGN	100,000,000	Saipem International BV Third parties	49.00 51.00	49.00	E.M.
Saipem Taqa Al Rushaid Fabricators Co Ltd	Dammam (Saudi Arabia)	SAR	40,000,000	Saipem International BV Third parties	40.00 60.00	40.00	E.M.
Saipon Snc	Montigny le Bretonneux (France)	EUR	20,000	Saipem SA Third parties	60.00 40.00	60.00	W.I.
Sairus Llc	Krasnodar (Russian Federation)	RUB	83,603,800	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
Société pour la Réalisation du Port de Tanger Méditerranée	Anjra (Morocco)	EUR	33,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
Southern Gas Constructors Ltd	Lagos (Nigeria)	NGN	10,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.
SPF - TKP Omifpro Snc	Paris (France)	EUR	50,000	Saipem SA Third parties	50.00 50.00	50.00	E.M.
Sud-Soyo Urban Development Lda (***)	Soyo (Angola)	AOA	20,000,000	Saipem SA Third parties	49.00 51.00	49.00	E.M.
Tchad Cameroon Maintenance BV	Rotterdam (Netherlands)	EUR	18,000	Saipem SA Third parties	40.00 60.00	40.00	E.M.
Tecnoprojecto Internacional Projectos e Realizações Industriais SA	Porto Salvo - Concelho de Oeiras (Portugal)	EUR	700,000	Saipem SA Third parties	42.50 57.50	42.50	E.M.
T.C.P.I. Angola Tecnoprojecto Internacional SA	Luanda (Angola)	AOA	9,000,000	Petromar Lda Third parties	35.00 65.00	24.50	E.M.
TMBYS SAS	Guyancourt (France)	EUR	30,000	Saipem SA Third parties	33.33 66.67	33.33	E.M.
TSGI Mühendislik İnşaat Ltd Şirketi	Istanbul (Turkey)	TRY	600,000	Saipem Ingenieria Y Construcciones SLU Third parties	30.00 70.00	33.33	E.M.
TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	Funchal (Portugal)	EUR	5,000	TSKJ - Serviços de Engenharia Lda	100.00	25.00	E.M.
TSKJ - Nigeria Ltd	Lagos (Nigeria)	NGN	50,000,000	TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda	100.00	25.00	E.M.
TSKJ - Serviços de Engenharia Lda	Funchal (Portugal)	EUR	5,000	Snamprogetti Netherlands BV Third parties	25.00 75.00	25.00	E.M.
Xodus Subsea Ltd	London (United Kingdom)	GBP	1,000,000	Saipem International BV Third parties	50.00 50.00	50.00	E.M.

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

The Saipem Group comprises 109 companies: 61 are consolidated using the full consolidation method, 2 using the proportionate consolidation method, 42 using the equity method and 4 using the cost method.
At December 31, 2015, the companies of Saipem SpA can be broken down as follows:

	Controlled companies			Associate and jointly controlled companies		
	Italy	**Outside Italy**	**Total**	**Italy**	**Outside Italy**	**Total**
Subsidiaries/Joint operations and their participating interests	**4**	**57**	**61**	**1**	**1**	**2**
Companies consolidated using the full consolidation method	4	57	61	-	-	-
Companies consolidated using the working interest method	-	-	-	1	1	2
Participating interests held by consolidated companies (1)	**-**	**4**	**4**	**9**	**33**	**42**
Accounted for using the equity method	-	3	3	7	32	39
Accounted for using the cost method	-	1	1	2	1	3
Total companies	**4**	**61**	**65**	**10**	**34**	**44**

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

Changes in the scope of consolidation

There were no significant changes in the scope of consolidation during 2015 with respect to the consolidated financial statements at December 31, 2014. Changes are shown by order of occurrence.

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:
- **Construction Saipem Canada Inc**, previously consolidated using the full consolidation method, was merged by incorporation into Saipem Canada Inc;
- **02 Pearl Snc**, previously consolidated using the working interest method, was consolidated using the equity method, as it became immaterial;
- **SPF - TKP Omifpro Snc**, previously consolidated using the working interest method, was consolidated using the equity method, as it became immaterial;
- **Baltica Scarl**, with registered offices in Italy, was incorporated and is accounted for using the equity method;
- **Fertilizantes Nitrogenados de Oriente CEC**, previously consolidated using the cost method, was sold to third parties;
- **Fertilizantes Nitrogenados de Oriente SA**, previously consolidated using the cost method, was sold to third parties;
- **S.B.K. Baltica Società consortile a Responsabilità Limitata Spólka Komandytowa**, with registered offices in Poland, was incorporated and is accounted for using the cost method;
- **Saipem UK Ltd**, previously consolidated using the full consolidation method, was removed from the Register of Companies;
- **Barber Moss Ship Management AS**, previously accounted for using the equity method, was sold to third parties;
- **Saipem Dangote E&C Ltd**, with registered offices in Nigeria, was incorporated and is accounted for using the equity method;
- **PLNG 9 snc di Chiyoda Corp e Servizi Energia Italia SpA**, previously accounted for using the equity method, was removed from the Register of Companies.
- **CCS LNG Mozambique Lda**, with registered offices in Mozambique, was incorporated and is accounted for using the equity method;
- **FPSO Mystras (Nigeria) Ltd**, previously accounted for using the equity method, was removed from the Register of Companies;
- **Saipem Finance International BV**, with registered offices in the Netherlands, was incorporated and is accounted for using the full consolidation method;
- **Saipem Contracting Prep SA**, with registered offices in Panama, was incorporated and consolidated using the full consolidation method;
- **Saiwest Ltd**, with registered offices in Ghana, was incorporated and is accounted for using the cost method.

Changes of company names or transfers of holdings between Group companies not affecting the scope of consolidation:
- **Saipem International BV** has sold its entire holding in **Sonsub International Pty** to Saipem Australia Pty.

Current assets

1 Cash and cash equivalents

Cash and cash equivalents amounted to €1,066 million, representing a decrease of €536 million compared with December 31, 2014 (€1,602 million).
Cash and equivalents at year end, 18% of which are denominated in euro, 35% in US dollars and 47% in other currencies, received an average interest rate of 0.403%. €177 million thereof (€885 million at December 31, 2014) are on deposit at Eni Group financial companies. Cash and cash equivalents included cash and cash on hand of €1 million (€7 million at December 31, 2014).
Funds in two current accounts held by the subsidiary Saipem Contracting Algérie SpA (equivalent to €82 million at December 31, 2015) have been frozen since February 2010 in connection with an investigation being conducted into third parties. Compared with December 31, 2014 (equivalent of €90 million) the €8 million decrease in the frozen amount is due to exchange-rate differences (for further details, see the section 'Legal disputes - Algeria - Proceedings in Algeria'). Further, about €1 million of a foreign branch of Saipem SpA has been temporarily frozen following a legal action brought by a supplier. The subsidiary Saipem Canada Inc has allocated the equivalent of €2 million of trust funds to cover disputes with some suppliers.
The breakdown of cash and cash equivalents of Saipem and other Group companies at December 31, 2015 by geographical area (based on the country of domicile of the relevant company) was as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Italy	173	63
Rest of Europe	1,069	418
CIS	11	191
Middle East	97	123
Far East	33	30
North Africa	104	87
West Africa and Rest of Africa	79	134
Americas	36	20
Total	**1,602**	**1,066**

For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 153.

2 Other financial assets for trading or available for sale

Other financial assets held for trading or available for sale amounted to €26 million (€9 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Financing receivables for non-operating purposes		
Listed bonds issued by sovereign states	6	23
Listed securities issued by financial institutions	3	3
Total	**9**	**26**

Listed bonds issued by sovereign states at December 31, 2015 of €23 million were as follows:

(€ million)	Notional amount	Fair value	Nominal rate of return (%)	Maturity	Rating - Moody's
Fixed rate bonds					
France	3	3	2.50	2020	AA
Ireland	4	5	5.0	2020	A+
Spain	2	2	3.75	2018	BBB+
Poland	7	8	3.75	2023	A-
Other	4	5	2.50	2020	BBB
Total	**20**	**23**			

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

3 Trade and other receivables

Trade and other receivables of €3,348 million (€3,391 million at December 31, 2014) were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Trade receivables	2,808	2,807
Financing receivables for operating purposes	3	4
Financing receivables for non-operating purposes	58	30
Prepayments for services	341	281
Other receivables	181	226
Total	**3,391**	**3,348**

Receivables are stated net of a provision for impairment losses of €446 million.

(€ million)	Dec. 31, 2014	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2015
Trade receivables	110	323	(3)	10	1	441
Other receivables	36	2	(19)	-	(14)	5
Total	**146**	**325**	**(22)**	**10**	**(13)**	**446**

Trade receivables amount to €2,807 million, in line with the figure at December 31, 2014, which is the result of an increase in receivables due to the general deterioration of negotiating conditions and payment times, which are completely offset by the increase in the provision for impairment losses on receivables, which is mainly due to the more prudent collection assumptions for Venezuela and projects with more uncertain collection time frames.
At December 31, 2015, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including not past due receivables, for a net amount of €280 million (€512 million at December 31, 2014), of which €95 million were trade receivables, €142 million income tax credits (see Note 5 'Current tax assets') and €43 million VAT credits (see Note 6 'Other current tax assets'). Saipem SpA is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factors.
Trade receivables included retention amounts guaranteeing contract work-in-progress of €223 million (€162 million at December 31, 2014), of which €105 million was due within one year and €118 million due after one year.
Trade receivables neither past due nor impaired amount to €1,723 million (€1,980 million at December 31, 2014), whereas receivables that are past due and are not impaired amount to €1,084 million (€828 million at December 31, 2014), €549 million of which are from 1 to 90 days past due (€368 million at December 31, 2014), €159 million of which are from 3 to 6 months past due (€142 million at December 31, 2014), €145 million of which are from 6 to 12 months past due (€109 million at December 31, 2014) and €231 million of which are past due by more than 12 months (€209 million at December 31, 2014), These receivables were primarily due from high credit quality counterparties.
Financing receivables for operating purposes of €4 million (€3 million at December 31, 2014) were mainly related to a receivable held by Saipem SpA from Serfactoring SpA.
The financing receivables for non-operating purposes of €30 million (€58 million at December 31, 2014) related mainly to the deposit paid by Snamprogetti Netherlands BV in relation to the TSKJ matter of €25 million (see the 'Legal proceedings' section for full details).
Other receivables of €226 million were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Receivables from:		
- insurance companies	7	18
- employees	29	36
Guarantee deposits	13	13
Other receivables	132	159
Total	**181**	**226**

Other receivables and prepayments for services neither past due nor impaired amounted to €488 million (€473 million at December 31, 2014). Other receivables past due, but not impaired, amounted to €19 million (€49 million at December 31, 2014), of which €5 million from 1 to 3 months past due, €4 million from 6 to 12 months past due and €10 million more than one year past due. These receivables were primarily due from high credit quality counterparties.
Trade receivables and other receivables from related parties are detailed in Note 45 'Transactions with related parties'.

The fair value of trade and other receivables did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.
Receivables in currencies other than the euro amounted to €2,099 million (€2,191 million at December 31, 2014). Their breakdown by currency was as follows:
- US Dollar 76% (75% at December 31, 2014);
- Saudi Arabian Ryal 7% (5% at December 31, 2014);
- Nigerian Naira 5% (5% at December 31, 2014);
- Australian Dollar 4% (3% at December 31, 2014);
- other currencies 8% (12% at December 31, 2014).

For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 153.

4 Inventories

Inventories amounted to €2,286 million (€2,485 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Raw and auxiliary materials and consumables	530	497
Contract work-in-progress	1,955	1,789
Total	**2,485**	**2,286**

The item 'Raw and auxiliary materials and consumables' includes spare parts for drilling and construction activities, as well as consumables for internal use and not for sale.
Inventories are stated net of a valuation allowance of €61 million.

(€ million)	Dec. 31, 2014	Additions	Deductions	Other changes	Dec. 31, 2015
Inventories valuation allowance	9	69	(18)	1	61
Total	**9**	**69**	**(18)**	**1**	**61**

Contract work-in-progress relates to timing differences between actual project progress and the achievement of contractual invoicing milestones, and to the recognition of additional contract revenues deemed probable and reasonably estimated.
Contract work-in-progress decreased from 2014 through the combined effect: (i) of the increase in progress of the projects over the annual period, waiting for recognition of the milestones by the customers, the time frame of which is influenced by the prolongation of the commercial negotiations to define the additional work that has arisen during works execution; (ii) of the negative value adjustment to limited and defined projects, also because of the changed negotiating approach adopted to define specific positions.
Information on construction contracts accounted for in accordance with IAS 11 is provided in Note 44 'Segment information, geographical information and construction contracts'.
For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 153.

5 Current tax assets

Current tax assets amounted to €253 million (€317 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Italian tax authorities	150	53
Foreign tax authorities	167	200
Total	**317**	**253**

The decrease in current tax assets of €64 million was mainly due to the decrease in credits from the Italian tax authorities held by Saipem SpA but was partially offset by the increase in receivables from foreign tax authorities held by Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda, Saipem Contracting (Nigeria) Ltd and Saipem Ingenieria Y Construcciones SLU.

At December 31, 2015, Saipem had non-recourse non-notification factoring agreements relating to Italian corporate income tax (Ires) receivables for a net amount of €142 million. Saipem SpA is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factors.

6 Other current tax assets

Other current tax assets amounted to €376 million (€307 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Italian tax authorities:	47	67
- VAT credits	46	65
- other	1	2
Foreign tax authorities:	260	309
- indirect tax credits	240	293
- other	20	16
Total	**307**	**376**

The increase in other current tax assets of €69 million was mainly due to the increase in VAT credits from Italian tax authorities held by Saipem SpA and to the increase in tax credits from foreign tax authorities held by Saimexicana SA de Cv and Saigut SA de Cv, partially offset by the decrease in payables towards the company Saipem do Brasil Serviços de Petroleo Ltda.

At December 31, 2015, Saipem had non-recourse non-notification factoring agreements relating to VAT receivables for a net amount of €43 million. Saipem SpA is responsible for managing the collection of the assigned VAT receivables and for transferring the sums collected to the factors.

7 Other current assets

Other current assets amounted to €209 million (€520 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Fair value of hedging derivatives	193	42
Fair value of non-hedging derivatives	154	26
Other assets	173	141
Total	**520**	**209**

At December 31, 2015, derivative financial instruments had a positive fair value of €68 million (€347 million at December 31, 2014).

The fair value of derivative financial 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, 2015, with their present value recalculated at period-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the period-end exchange rate and the respective forward interest rate curves.

The table below shows the assets considered in the calculation of the fair value of derivative contracts, including the long-term portion, broken down by type:

	Assets Dec. 31, 2014			Assets Dec. 31, 2015		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	192			20		
. sale	3			34		
Total	195			54		
- forward currency contracts (Forward component)						
. purchase	(2)			3		
. sale	-			(5)		
Total	(2)	2,413	64	(2)	1,154	1,703
- forward commodity contracts (Forward component)						
. purchase	-			-		
Total	-	-		-	-	
Total derivative contracts qualified for hedge accounting	**193**	**2,413**	**64**	**52**	**1,154**	**1,703**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	135			9		
. sale	21			17		
Total	156			26		
- forward currency contracts (Forward component)						
. purchase	-			1		
. sale	(2)			(1)		
Total	(2)	3,367	229	-	777	865
- forward commodity contracts (Forward component)						
. sale	-			-		
Total			2			-
Total derivative contracts not qualified for hedge accounting	**154**	**3,367**	**231**	**26**	**777**	**865**
Total	**347**	**5,780**	**295**	**78**	**1,931**	**2,568**

Cash flow hedge transactions 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, 2015 are expected to occur up until 2017.
During 2015, there were no cases of hedged items being no longer considered highly probable.
The positive fair value of derivatives qualified for hedge accounting at December 31, 2015 totalled €52 million (€193 million at December 31, 2014). The spot component of these derivatives of €54 million (€195 million at December 31, 2014) was deferred in a hedging reserve in equity (€50 million; €171 million at December 31, 2014) and recorded as finance income and expense (€4 million; €24 million at December 31, 2014), while the forward component, which was not designated as a hedging instrument, was recognised as finance income and expense (€2 million; €2 million at December 31, 2014).
The negative fair value of derivative qualified for hedge accounting at December 31, 2015, analysed in Note 18 'Other current liabilities' including the long-term portion analysed in Note 23 'Other non-current liabilities' was €120 million (€556 million at December 31, 2014). The spot component of these derivatives of €111 million was deferred in a hedging reserve in equity (€105 million; €501 million at December 31, 2014) and recorded as finance income and expense (€6 million; €52 million at December 31, 2014). The forward component was recognised as finance income and expense (€9 million; €2

million at December 31, 2014). The change in the hedging reserve between December 31, 2014 and December 31, 2015 was due to fair value changes in hedges that were effective for the whole year; new hedging relations designated during the year; and to the transfer of hedging gains or losses from equity to the income statement either because the hedged transactions affected profit or loss, or following the termination of the hedge against risk exposures which are no longer certain or highly probable.

(€ million)	Dec. 31, 2014	Gains for the period	Losses for the period	Adjustment for gains EBITDA	Adjustment for losses EBITDA	Gains due to cancellation of underlying	Losses due to cancellation of underlying	Dec. 31, 2015
Exchange rate hedge reserve								
Saipem SpA	(93)	153	(332)	(100)	279	(26)	13	(106)
Saipem SA	88	134	(78)	(97)	36	(4)	1	80
Sofresid SA	(235)	19	(224)	(14)	187	-	-	(267)
Saipon Snc	-	-	-	-	-	-	-	-
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	(108)	91	(218)	(118)	305	(13)	6	(55)
Saipem Ltd	15	24	(6)	(36)	5	(3)	2	1
Saipem Misr for Petroleum Services (SAE)	(6)	3	(9)	(3)	15	-	-	-
Snamprogetti Chiyoda sas di Saipem SpA	-	-	-	-	-	-	-	-
Saipem Ingenieria Y Construcciones SLU	(13)	3	(16)	-	16	-	1	(9)
Snamprogetti Saudi Arabia Co Ltd Llc	(3)	1	(3)	(1)	6	-	-	-
Saudi Arabian Saipem Ltd	(3)	-	(4)	-	2	-	-	(5)
Snamprogetti Engineering & Contracting Co Ltd	(5)	-	(9)	-	6	-	-	(8)
Saipem Canada Inc	-	1	-	(1)	-	-	-	-
Saipem Services México SA de Cv	1	3	(1)	-	-	(4)	1	-
Saimexicana SA de Cv	-	-	-	-	-	-	-	-
Saipem Australia Pty Ltd	-	-	-	-	-	-	-	-
Saipem Indonesia	-	-	(1)	-	1	-	-	-
Total exchange rate hedge reserve	**(362)**	**432**	**(901)**	**(370)**	**858**	**(50)**	**24**	**(369)**
Commodity hedge reserve								
Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda	(3)	3	(1)	-	2	(1)	-	-
Saipem SpA	(3)	6	(7)	-	3	-	1	-
Total commodity hedge reserve	**(6)**	**9**	**(8)**	**-**	**5**	**(1)**	**1**	**-**
Interest rate hedge reserve								
Saipem SpA	(1)	-	(1)	-	-	-	-	(2)
Total interest rate hedge reserve	**(1)**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(2)**
Total hedge reserve	**(369)**	**441**	**(910)**	**(370)**	**863**	**(51)**	**25**	**(371)**

During the year, operating revenues and expenses were adjusted by a net negative amount of €488 million to reflect the effects of hedging.
Other assets at December 31, 2015 amounted to €141 million, representing an decrease of €32 million compared with December 31, 2014, and consisted mainly of prepayments.
Other assets from related parties are shown in Note 45 'Transactions with related parties'.

Non-current assets

8 Property, plant and equipment

Property, plant and equipment amounted to €7,287 million (€7,601 million at December 31, 2014) and consisted of the following:

(€ million)	Opening net value	Capital expenditure	Depreciation, amortisation and impairment	Disposals	Change in the scope of consolidation	Business division transactions	Currency translation differences	Other changes	Final net value	Final gross value	Provision for amortisation and impairment
Dec. 31, 2014											
Land	83	-	-	-	-	-	3	-	86	86	-
Buildings	514	111	(64)	-	-	-	38	121	720	1,033	313
Plant and machinery	6,727	382	(1,006)	(10)	-	-	97	104	6,294	11,347	5,053
Industrial and commercial equipment	205	72	(52)	-	-	-	14	-	239	807	568
Other assets	32	12	(13)	-	-	-	1	1	33	137	104
Assets under construction and advances	351	105	(10)	-	-	-	14	(231)	229	229	-
Total	**7,912**	**682**	**(1,145)**	**(10)**	**-**	**-**	**167**	**(5)**	**7,601**	**13,639**	**6,038**
Dec. 31, 2015											
Land	86	-	-	-	-	-	(16)	-	70	70	-
Buildings	720	17	(219)	(1)	-	-	11	39	567	1,097	530
Plant and machinery	6,294	290	(648)	(10)	-	-	94	115	6,135	11,546	5,411
Industrial and commercial equipment	239	16	(59)	(1)	-	-	3	(3)	195	822	627
Other assets	33	6	(13)	-	-	-	-	-	26	141	115
Assets under construction and advances	229	221	(10)	-	-	-	7	(153)	294	303	9
Total	**7,601**	**550**	**(949)**	**(12)**	**-**	**-**	**99**	**(2)**	**7,287**	**13,979**	**6,692**

Capital expenditure in 2015 amounted to €550 million (€682 million in 2014) and included:

- €162 million in the Offshore Engineering & Construction sector, relating mainly to the maintenance and upgrading of the existing asset base;
- €32 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and the maintenance of existing assets;
- €246 million in the Offshore Drilling sector, relating mainly to class reinstatement works on the drillships Saipem 10000 and Saipem 12000 and on the drilling jack-up Perro Negro 5, as well as maintenance and upgrading of the existing asset base;
- €110 million in the Onshore Drilling sector, relating to upgrading of the existing asset base.

No finance expenses were capitalised during the year.

The main amortisation rates were as follows:

(%)			
Buildings	2.50	-	12.50
Plant and machinery	7.00	-	25.00
Industrial and commercial equipment	3.33	-	50.00
Other assets	12.00	-	20.00

Exchange rate differences arising from the translation of financial statements prepared in currencies other than the euro, amounting to €99 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, 2015, 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, 2015 amounted to €62 million (€174 million at December 31, 2014), as indicated in 'Summary of significant accounting policies - Financial risk management'.

Property, plant and equipment includes assets carried under finance leases amounting to the equivalent of €34 million, relating to finance leases for the utilisation of two onshore drilling rigs in Saudi Arabia for a period of 36 months.

In view of the need to rethink productive strategy by rationalisation of fabrication yards and vessels that are no longer suitable for the changed circumstances and in view of the guidelines set out in the turnaround plan 'Fit for the future', in 2015 the following were written down and disposed for a value of €198 million: Scarabeo 4, sold in July to Simseker Gida Gemi Sokum Ins in Turkey; the vessel S355, sold in November to Dido Steel Corp SA; and Castoro Sette, sold in December to Global Marketing System JLT. Saibos 230 was written down prior to being divested. Semac 1 was totally depreciated and divested and some parts of two fabrication yards that will not be used in future activities were written down.

Impairment

In reviewing its impairment indicators, Saipem considers, among other factors, the relationship between its market capitalisation and net assets. At December 31, 2015, the Group's market capitalisation was lower than its net assets, indicating a potential impairment of goodwill and/or of other assets. For this reason, and taking account of the fact that the market continues to be characterised by low oil prices and great volatility, an impairment test was run for every single cash generating unit. The cash generating units identified were the Offshore E&C sector, with separate valuation carried out for the two leased FPSO units, the Onshore E&C sector, the Onshore Drilling sector, and the individual offshore drilling rigs (14 separate rigs).

The analyses carried out show that the carrying amount of the cash generating unit tested for impairment can be recovered through use. There is accordingly no need to write down its carrying amount.

The CGUs were tested for impairment by comparing the respective carrying amount with the relative recoverable value, which is the higher of value in use and fair value, net of disposal costs. In view of the nature of Saipem's business activities, the calculation of the recoverable amount was determined by discounting the future cash flows expected to result from the use of each CGU.

Cash flow outlooks are determined on the basis of the best information available at the moment of the estimate taking into account future expectations of management with regard to the relevant markets. In 2015, the market was characterised by an average oil price of 50 dollars a barrel and a consequent cut-back in investments by oil companies. The Strategic Plan for 2016-2019, which was approved by the Board of Directors in October 2015, is based on confidence in the medium and long-term solidity of the Oil & Gas industry and the expectation that oil prices will recover over the medium term, as reported in the section 'Medium- to long-term market prospects' in the 'Directors' Report'. Even following a further fall in oil prices in the last quarter of 2015 and in the first months of 2016, management has confirmed the projections of the Strategic Plan, which have accordingly been used for the impairment test as a basis for estimating the cash flows for the first four years. For the years following the fourth year, the cash flows have been calculated on the basis of a terminal value, determined: (a) for the cash generating units Onshore E&C, Onshore Drilling and for other Offshore E&C assets, using the perpetuity model, applying a real growth rate of zero to the normalised free cash flow of the final projection year (to taken into account, for example, new investments included in the plan entering into production and the cyclical nature of the sector); (b) for the Leased FPSO cash generating units and for the offshore drilling rigs, the residual economic and technical life of the individual assets, considering beyond the plan horizon: (i) leasing rates for the individual rigs expected by the management; (ii) normalised figures for days of utilisation (to take into account rig downtime for maintenance, etc.); (iii) operating costs based on data for the last year of the plan, adjusted for inflation; (iv) normalised figures for investments for cyclical maintenance and replacements.

Value in use was calculated by discounting expected future post tax cash flows at a rate of 6.2% (down 0.7% on the previous year and up 0.3% on the six-month value). This discount rate (WACC) reflects the market appreciation of the financial value of the time and specific risks of the Saipem asset that are not reflected in the estimate of the cash flows and has been estimated to take account: (i) of a cost of the debt that is consistent with the cost estimated for the four years of the plan; (ii) of the average leverage of Saipem during the period of the plan; (iii) of the beta risk coefficient of the Saipem security. Post-tax cash flows and discounting rates were used as they result in values similar to those resulting from a pre-tax valuation.

The key assumptions adopted in assessing the recoverable amounts of the 16 cash generating units representing the Group's offshore vessels related mainly to the operating result of the CGUs (based on a combination of various factors, including charter rates) and the discount rate applied to the cash flows. The effects that any change in the parameters used in the estimate would produce on the recoverable amount of the CGUs are as follows:

- an increase in the discount rate of 1% would produce a reduction in net capital employed of €13 million;
- decreases in long-term day rates of 10% compared with the rates assumed in the plan projections would produce a reduction in net employed capital of €126 million.

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

- decrease by 5% in the operating result, over the entire plan period and in perpetuity;
- use of a discount rate of 6.4%;
- use of a real growth rate of 1.8%.

Further, the excess of the recoverable amount over the value of the net capital employed in the Onshore Drilling CGU is still positive even after the working capital flows have been zeroed.

9 Intangible assets

Intangible assets amounted to €758 million (€760 million at December 31, 2014) and were as follows:

(€ million)	Opening net value	Capital expenditure	Depreciation, amortisation and impairment	Currency translation differences and other changes	Final net value	Final gross value	Provision for amortisation and impairment
Dec. 31, 2014							
Intangible assets with finite useful lives							
Development costs	-	-	-	-	-	7	7
Industrial patents and intellectual property rights	16	9	(11)	8	22	162	140
Concessions, licences and trademarks	3	1	(1)	1	4	15	11
Assets under construction and advances	10	2	-	(8)	4	4	-
Other intangible assets	-	-	-	2	2	3	1
Intangible assets with indefinite useful lives							
Goodwill	729	-	-	(1)	728	728	-
Total	**758**	**12**	**(12)**	**2**	**760**	**919**	**159**
Dec. 31, 2015							
Intangible assets with finite useful lives							
Development costs	-	-	-	-	-	7	7
Industrial patents and intellectual property rights	22	7	(11)	1	19	170	151
Concessions, licences and trademarks	4	1	-	(1)	4	15	11
Assets under construction and advances	4	3	-	(1)	6	6	-
Other intangible assets	2	-	-	-	2	3	1
Intangible assets with indefinite useful lives							
Goodwill	728	-	-	(1)	727	727	-
Total	**760**	**11**	**(11)**	**(2)**	**758**	**928**	**170**

Concessions, licences and trademarks, and industrial patents and intellectual property rights of €4 million and €19 million, respectively, consisted mainly of costs for the implementation of SAP applications and modules at the parent company.

The main amortisation rates were as follows:

(%)			
Development costs	20.00	-	20.00
Industrial patents and intellectual property rights	6.66	-	33.30
Franchise, licences, trademarks and similar rights	20.00	-	20.00
Other intangible assets	20.00	-	33.00

Goodwill of €727 million related to the difference between the purchase price, including transaction costs, and the net assets of Saipem SA (€689 million), Sofresid SA (€21 million) and the Moss Maritime Group (€12 million) on the date that control was acquired.

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

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Offshore E&C	415	415
Onshore E&C	313	312
Total	**728**	**727**

The changes in the Onshore E&C cash generating unit concerned a change in goodwill of the Moss Maritime Group due to effects of changes in foreign exchange rates.
The recoverable amount of the two cash generating units was determined based on value in use, calculated by discounting the future cash flows expected to result from the use of each CGU.
The expected future cash flows for the explicit forecast period of four years were derived from Saipem's 2016-2019 Strategic Plan, which was approved by the Board of Directors in October 2015.
Value in use was calculated applying a discount rate of 6.2% to future post-tax cash flows. 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 calculation using pre-tax cash flows and discount rates.
The table below shows the amounts by which the recoverable amounts of the Offshore E&C and Onshore E&C cash generating units exceed their carrying amounts, including allocated goodwill.

(€ million)	Offshore	Onshore	Total
Goodwill	415	312	727
Amount by which recoverable amount exceeds carrying amount	3,482	1,117	4,600

The key assumptions adopted for assessing recoverable amounts were principally the operating results of the CGU (based on a combination of various factors, e.g. sales volumes, service prices, project profit margins, cost structure), the discount rate, the growth rates adopted to determine the terminal value and working capital projections. The effects of changes in these parameters in relation to the amount by which recoverable amount exceeds the carrying amounts (including goodwill) are described below.
The following changes in each of the assumptions, ceteris paribus, 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:
- decrease by 62% in the operating result;
- use of a discount rate of 12.4%;
- use of negative real growth rate

Further, the excess of the recoverable amount over the value of the net capital employed in the Offshore Drilling CGU is still positive even after the working capital flows have been zeroed. The excess of the recoverable amount of the Onshore cash generating unit over its carrying amount, including the allocated portion of goodwill, would be reduced to zero under the following circumstances:
- decrease by 69% in the operating result;
- use of a discount rate of 14.2%;
- use of negative real growth rate.

Further, the excess of the recoverable amount over the value of the net capital employed in the Onshore Drilling CGU is still positive even after the working capital flows have been zeroed.

10 Investments accounted for using the equity method

Investments accounted for using the equity method of €135 million (€120 million at December 31, 2014) were as follows:

(€ million)	Opening net value	Acquisitions and subscriptions	Sales and redemption	Share of profit of equity-accounted investments	Share of loss of equity-accounted investments	Deduction for dividends	Change in the scope of consolidation	Currency translation differences	Movements in reserves	Other changes	Closing net value	Provision for impairment
Dec. 31, 2014												
Investments in joint ventures nd associates	166	9	(3)	27	(3)	(11)	-	9	-	(74)	120	-
Total	**166**	**9**	**(3)**	**27**	**(3)**	**(11)**	**-**	**9**	**-**	**(74)**	**120**	**-**
Dec. 31, 2015												
Investments in joint ventures and associates	120	1	-	18	(9)	(3)	-	7	-	1	135	-
Total	**120**	**1**	**-**	**18**	**(9)**	**(3)**	**-**	**7**	**-**	**1**	**135**	**-**

Investments in subsidiaries, jointly-controlled entities and associates are analysed in the section 'Scope of consolidation at December 31, 2015'.
Acquisitions and subscriptions of €1 million related to the subscription of the share capital of Saipem Dangote E&C Ltd.
The share of profit of investments accounted for using the equity method of €18 million included profits for the year of €11 million recorded by the jointly-controlled entities TSGI Mühendislik İnşaat Ltd Şirketi (€7 million), TMBYS SAS (€2 million), Saipar Drilling Co BV (€1 million), CSFLNG Netherlands BV (€1 million), and €7 million relating to profits for the year recorded by associates KWANDA Suporte Logistico Lda (€4 million), Tecnoprojecto Internacional Projectos e Realizações Industriais SA (€1 million), Rosetti Marino SpA (€1 million) and other companies (€1 million).
The share of losses of investments accounted for using the equity method of €9 million included losses for the period of €4 million recorded by the jointly-controlled entities Xodus Subsea Ltd (€3 million) and Petromar Lda (€1 million) and a loss for the period of €5 million recorded by the associate companies Saipem Taqa Al Rushaid Fabricators Co Ltd (€4 million) and others (€1 million).
Deductions following the distribution of dividends of €3 million related to KWANDA Suporte Logistico Lda (€1 million), Rosetti Marino SpA (€1 million) and other companies (€1 million).
The net carrying value of investments accounted for using the equity method related to the following companies:

(€ million)	Group interest (%)	Net value at Dec. 31, 2014	Net value at Dec. 31, 2015
Rosetti Marino SpA	20.00	31	31
Petromar Lda	70.00	42	45
Other		47	59
Total investments in joint ventures and associates		**120**	**135**

The total carrying value of investments accounted for using the equity method does not include the provision for losses of €1 million (€8 million at December 31, 2014) recorded under the provisions for contingencies.

Other information about investments

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

	Dec. 31, 2014			Dec. 31, 2015		
(€ million)	Subsidiaries	Jointly-controlled entities	Associates	Subsidiaries	Jointly-controlled entities	Associates
Total assets	1	338	507	1	348	372
of which cash and cash equivalents	-	103	35	-	42	46
Total liabilities	1	286	448	-	276	311
Net revenues	1	358	352	1	397	258
Operating profit	-	24	7	-	10	4
Net profit (loss) for the year	-	14	6	-	15	1

Amounts for depreciation and finance income (expense) were immaterial.

The table below shows income statement and balance sheet data for Petromar Lda, Saipem's most significant joint venture at December 31, 2015, as well as for other joint ventures (full amounts shown).

	Dec. 31, 2014		Dec. 31, 2015	
(€ million)	Petromar Lda	Other	Petromar Lda	Other
Current assets	212	321	233	313
- of which cash and cash equivalents	*61*	*161*	*19*	*67*
Non-current assets	91	13	88	16
Total assets	**303**	**334**	**321**	**329**
Current liabilities	219	293	237	242
- of which current financial liabilities	-	*35*	-	*16*
Non-current liabilities	24	19	21	19
Total liabilities	**243**	**312**	**258**	**261**
Shareholders' equity	**60**	**22**	**63**	**68**
Ownership interest held by Group (%)	70.00	-	70.00	-
Carrying amount of investment	**42**	**10**	**45**	**28**
Revenues and other operating income (expense)	337	306	311	472
Operating expenses	(298)	(283)	(293)	(443)
Depreciation, amortisation and impairment	(14)	(8)	(18)	(2)
Operating result	**25**	**15**	**-**	**27**
Finance income (expense)	(2)	(6)	(1)	26
Income (expense) from investments	-	-	(1)	-
Pre-tax profit	**23**	**9**	**(2)**	**53**
Income taxes	(4)	(3)	-	(10)
Net result	**19**	**6**	**(2)**	**43**
Other items of comprehensive income	8	2	6	1
Total comprehensive income (loss) for the year	**27**	**8**	**4**	**44**
Net profit (loss) attributable to Group	**14**	**-**	**(1)**	**16**
Dividends received from joint venture	**-**	**8**	**-**	**-**

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

	Dec. 31, 2014			Dec. 31, 2015		
(€ million)	CEPAV (Consorzio Eni per l'Alta Velocità) Due	KWANDA Suporte Logistico Lda	Other	CEPAV (Consorzio Eni per l'Alta Velocità) Due	KWANDA Suporte Logistico Lda	Other
Current assets	472	127	448	271	125	343
- of which cash and cash equivalents	-	*48*	*62*	*13*	*44*	*70*
Non-current assets	2	95	147	1	92	185
Total assets	**474**	**222**	**595**	**272**	**217**	**528**
Current liabilities	474	131	364	272	129	280
- of which current financial liabilities	-	*3*	*31*	-	-	*39*
Non-current liabilities	-	56	37	-	39	65
- of which non-current financial liabilities	-	-	*12*	-	-	*12*
Total liabilities	**474**	**187**	**401**	**272**	**168**	**345**
Shareholders' equity	**-**	**35**	**194**	**-**	**49**	**183**
Ownership interest held by Group (%)	52	40	-	52	40	-
Carrying amount of investment	**-**	**14**	**46**	**-**	**20**	**41**
Revenues and other operating income (expense)	318	157	487	199	138	376
Operating expenses	(318)	(126)	(474)	(199)	(107)	(368)
Depreciation, amortisation and impairment	-	(12)	(11)	-	(14)	(13)
Operating result	**-**	**19**	**2**	**-**	**17**	**(5)**
Finance income (expense)	-	(2)	1	-	(7)	2
Pre-tax profit	**-**	**17**	**3**	**-**	**10**	**(3)**
Income taxes	-	-	(2)	-	-	(3)
Net result	**-**	**17**	**1**	**-**	**10**	**(6)**
Other items of comprehensive income	-	7	(6)	-	7	-
Total comprehensive income (loss) for the year	**-**	**24**	**(5)**	**-**	**17**	**(6)**
Net profit (loss) attributable to Group	**-**	**6**	**-**	**-**	**4**	**(3)**
Dividends received from joint venture	**-**	**1**	**2**	**-**	**1**	**2**

11 Other financial assets

At December 31, 2015 other long-term financial assets amounted to €1 million (€1 million at December 31, 2014) and related to financing receivables held for non-operating purposes by Sofresid SA.

12 Deferred tax assets

Deferred tax assets of €460 million (€297 million at December 31, 2014) are shown net of offsettable deferred tax liabilities.

(€ million)	Dec. 31, 2014	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2015
Deferred tax assets	297	455	(266)	9	(35)	460
Total	**297**	**455**	**(266)**	**9**	**(35)**	**460**

The item 'Other changes', which amounted to negative €35 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €7 million); (ii) the positive tax effects (€14 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) income tax (negative €1 million) relating to remeasurements of defined benefit plans reported in equity; (iv) other changes (negative €41 million).

Net deferred tax assets consisted of the following:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Deferred tax liabilities	(314)	(291)
Deferred tax assets available for offset	274	281
Deferred tax liabilities	**(40)**	**(10)**
Deferred tax assets	297	460
Net deferred tax assets (liabilities)	**257**	**450**

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

(€ million)	Dec. 31, 2014	Additions	Deductions	Exchange rate differences	Other changes	Dec. 31, 2015
Deferred tax liabilities:						
- accelerated tax depreciation	(120)	(12)	11	(4)	-	(125)
- derivative contracts qualified for hedge accounting	(27)	(2)	11	-	(6)	(24)
- employee benefits	(4)	-	1	-	-	(3)
- non distributed reserves held by investments	(101)	-	34	-	-	(67)
- project progress status	(3)	(11)	3	-	-	(11)
- other	(59)	(17)	6	1	8	(61)
	(314)	**(42)**	**66**	**(3)**	**2**	**(291)**
less:						
Deferred tax liabilities available for offset	274	-	-	-	7	281
Deferred tax liabilities	**(40)**	**(42)**	**66**	**(3)**	**9**	**(10)**
Deferred tax assets:						
- accruals for impairment losses and provisions for contingencies	65	153	(55)	6	-	169
- non-deductible amortisation	32	3	(6)	1	-	30
- derivative contracts qualified for hedge accounting	112	1	(89)	-	16	40
- employee benefits	23	2	(6)	-	(3)	16
- carry-forward tax losses	376	455	(38)	(23)	(28)	742
- project progress status	55	74	(56)	1	-	74
- other	29	39	(18)	-	(6)	44
	692	**727**	**(268)**	**(15)**	**(21)**	**1,115**
less:						
- unrecognised deferred tax assets	(121)	(272)	2	24	(7)	(374)
	571	**455**	**(266)**	**9**	**(28)**	**741**
less:						
Deferred tax assets available for offset	274	-	-	-	(7)	(281)
Deferred tax assets	**297**	**455**	**(266)**	**9**	**(35)**	**460**
Net deferred tax assets (liabilities)	**257**	**413**	**(200)**	**6**	**(26)**	**450**

Unrecognised deferred tax assets of €374 million (€121 million at December 31, 2014) mainly related to tax losses that it will probably not be possible to utilise against future income.

Tax losses

Tax losses amounted to €2,733 million (€1,427 million at December 31, 2014) of which a considerable part can be carried forward without limit.
Tax recovery corresponds to a tax rate of 24% for companies in Italy and to an average tax rate of 27.7% for companies abroad.
Tax losses related mainly to companies abroad and can be used in the following periods:

(€ million)	Italy	Outside Italy
2016	-	56
2017	-	95
2018	-	42
2019	-	14
2020	-	10
After 2020	-	724
Without limit	347	1,445
Total	**347**	**2,386**

Taxes are shown in Note 41 'Income taxes'.

13 Other non-current assets

Other non-current assets of €114 million (€115 million at December 31, 2014) were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Fair value of hedging derivatives	-	10
Other receivables	16	18
Other non-current assets	99	86
Total	**115**	**114**

The fair value of hedging derivatives relates to foreign exchange risk hedges mainly entered into by Saipem SpA and Saipem SA with the Eni Group maturing in 2017.
Other non-current assets mainly related to prepayments.
Other non-current assets from related parties are shown in Note 45 'Transactions with related parties'.

Current liabilities

14 Short-term financial liabilities

Short-term debt of €3,016 million (€2,186 million at December 31, 2014) consisted of the following:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Banks	277	176
Other financial institutions	1,909	2,840
Total	**2,186**	**3,016**

Short-term debt increased by €830 million.
The current portion of long-term debt, amounting to €656 million (€594 million at December 31, 2014), 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, 2014			Dec. 31, 2015		
			Interest rate %			Interest rate %	
Issuing institution	Currency	Amount	from	to	Amount	from	to
Eni SpA	Euro	124	1.518	1.518	478	2.250	2.250
Serfactoring	Euro	7	-	-	-	-	-
Serfactoring	US Dollar	11	-	-	6	-	-
Serfactoring	Altre	6	-	-	-	-	-
Eni Finance International SA	Euro	697	0.657	2.157	622	1.160	2.510
Eni Finance International SA	US Dollar	710	0.821	2.321	933	1.930	2.680
Eni Finance International SA	Australian Dollar	197	3.150	3.150	247	3.650	3.650
Eni Finance International SA	Canadian Dollar	-	-	-	470	2.380	2.380
Eni Finance International SA	Other	121	variable		-	-	-
Eni Finance USA	US Dollar	-	-	-	25	2.680	2.680
Third parties	Euro	5	1.018	1.018	1	-	-
Third parties	US Dollar	4	1.351	1.571	1	2.350	2.350
Third parties	Other	304	variable		233	variable	
Total		**2,186**			**3,016**		

At December 31, 2015, Saipem had unused lines of credit amounting to €1,739 million (€2,450 million at December 31, 2014). Commission fees on unused lines of credit were not significant.
At December 31, 2015, there was no unfulfillment of terms and conditions or violation of agreements in relation to financing contracts.
Short-term debt to related parties are shown in Note 45 'Transactions with related parties'.

15 Trade and other payables

Trade and other payables of €5,186 million (€5,669 million at December 31, 2014) consisted of the following:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Trade payables	3,283	2,638
Deferred income and advances	1,980	2,177
Other payables	406	371
Total	**5,669**	**5,186**

Trade payables amounted to €2,638 million, representing a decrease of €645 million compared with December 31, 2014.
Deferred income and advances of €2,177 million (€1,980 million at December 31, 2014), consisted mainly of adjustments to revenues from long-term contracts of €1,515 million (€1,314 million at December 31, 2014) 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 €662 million (€666 million at December 31, 2014).
Trade and other payables to related parties are shown in Note 45 'Transactions with related parties'.
Other payables of €371 million were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Payables to:		
- employees	189	157
- national insurance/social security contributions	71	69
- insurance companies	5	3
- consultants and professionals	4	4
- Board Directors and Statutory Auditors	1	1
Other payables	136	137
Total	**406**	**371**

The fair value of trade and other payables did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.
For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 153.

16 Income taxes payable

Income taxes payable amounted to €130 million (€134 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Italian tax authorities	3	12
Foreign tax authorities	131	118
Total	**134**	**130**

17 Other current tax payables

Other current tax payables amounted to €268 million (€184 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Italian tax authorities:	13	14
- other	13	14
Foreign tax authorities:	171	254
- indirect tax	126	194
- other	45	60
Total	**184**	**268**

The increase in other current tax payables of €84 million related mainly to an increase in the amounts payable to foreign tax authorities by ER SAI Caspian Contractor Llc, Saigut SA de Cv and Saimexicana SA de Cv.

18 Other current liabilities

Other current liabilities amounted to €202 million (€838 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Fair value of hedging derivatives	555	113
Fair value of non-hedging derivatives	280	45
Other liabilities	3	44
Totale	**838**	**202**

At December 31, 2015, derivative financial instruments had a negative fair value of €158 million (€835 million at December 31, 2014). The increase of other liabilities of €41 million due mainly to revenues for contractual penalties applied to clients but related to subsequent years.
The following table shows the positive and negative fair values of derivative contracts at December 31, 2015.

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Positive fair value of derivative contracts	347	78
Negative fair value of derivative contracts	(836)	(165)
Total	**(489)**	**(87)**

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, 2015, with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the year-end exchange rate and the respective forward interest rate curves.
A liability of €2 million (€1 million at December 31, 2014) relating to the fair value of an interest rate swap has been recorded under Note 19 'Long-term debt and current portion of long-term debt'.
The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding at December 31, 2015, with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on EUR forward interest rates.

The negative fair value of derivative contracts by type can be analysed as follows:

	Liabilities Dec. 31, 2014			Liabilities Dec. 31, 2015		
	Fair value	Commitments		Fair value	Commitments	
(€ million)		purchase	sale		purchase	sale
1) Derivative contracts qualified for hedge accounting:						
- interest rate contracts (Spot component)						
. purchase	1			2		
Total	1	250		2	250	
- forward currency contracts (Spot component)						
. purchase	27			34		
. sale	525			75		
Total	552			109		
- forward currency contracts (Forward component)						
. purchase	(2)			(5)		
. sale	-			14		
Total	(2)	582	6,047	9	1,235	3,452
- forward commodity contracts (Forward component)						
. purchase	5			-		
Total	5	16	-	-	-	-
Total derivative contracts qualified for hedge accounting	**556**	**848**	**6,047**	**120**	**1,485**	**3,452**
2) Derivative contracts not qualified for hedge accounting:						
- forward currency contracts (Spot component)						
. purchase	19			17		
. sale	261			26		
Total	280			43		
- forward currency contracts (Forward component)						
. purchase	(1)			(1)		
. sale	1			3		
Total	-	290	3,404	2	1,300	1,211
- forward commodity contracts (Forward component)						
. purchase	-			-		
. sale	-			-		
Total	-	1		-	-	
Total derivative contracts not qualified for hedge accounting	**280**	**291**	**3,404**	**45**	**1,300**	**1,211**
Total	**836**	**1,139**	**9,451**	**165**	**2,785**	**4,663**

For a complete analysis of the fair value of the cash flow hedges, see also Note 7 'Other current assets', Note 13 'Other non-current assets' and Note 23 'Other non-current liabilities'.
Other liabilities amounted to €44 million (€3 million at December 31, 2014).
Other liabilities to related parties are shown in Note 45 'Transactions with related parties'.

Non-current liabilities

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

Long-term debt, including the current portion of long-term debt, amounted to €3,497 million (€3,908 million at December 31, 2014) and was as follows:

	Dec. 31, 2014			Dec. 31, 2015		
(€ million)	Short-term maturity	Long-term maturity	Total	Short-term maturity	Long-term maturity	Total
Banks	-	250	250	4	252	256
Other financial institutions	594	3,064	3,658	652	2,589	3,241
Total	**594**	**3,314**	**3,908**	**656**	**2,841**	**3,497**

€250 million of the long-term debt to banks of €252 million relates to a financing agreement signed by Saipem SpA during the year 2014 with restrictive covenants requiring Saipem to maintain specific consolidated financial statements ratios.
As a result of the exceptional write-down of certain items of the consolidated financial statements for the six months ended June 30, 2015, the financial covenant was not adhered to. On November 3, 2015, at the request of Saipem SpA, the bank formally agreed to irrevocably waive declaring the

infringement of the financial statement, both with respect to the test date of June 30, 2015, and, if the infringement was ascertained, with respect to the test date December 31, 2015. The loan accordingly continues.
Long-term debt is shown below by year of maturity:

(€ million)

Type	Maturity range	2017	2018	2019	2020	After	Total
Banks	2017	252	-	-	-	-	252
Other financial institutions	2017-2020	798	260	1,487	44	-	2,589
Total		**1,050**	**260**	**1,487**	**44**	**-**	**2,841**

Long-term debt amounted to €2,841 million, down €473 million versus December 31, 2014 (€3,314 million).
The following table breaks down long-term debt, inclusive of the current portion, by issuing entity and currency and also shows maturities and average interest rates:

(€ million)

			Dec. 31, 2014			Dec. 31, 2015		
				Interest rate %			Interest rate %	
Issuing institution	Currency	Maturity	Amount	from	to	Amount	from	to
Eni SpA	Euro	2016-2017	1,674	2.518	4.950	2,013	2.500	4.950
Eni Finance International SA	Euro	2016-2020	1,319	0.757	2.507	859	1.160	2.510
Eni Finance International SA	US Dollar	2016	665	0.921	4.330	342	1.330	2.930
Third parties	Euro	2017	250	1.585	1.585	278	2.085	2.085
Third parties	Brazilian Real	2016-2017	-	-	-	5	12.500	12.500
Total			**3,908**			**3,497**		

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 €3,539 million (€4,189 million at December 31, 2014) and was calculated by discounting the expected future cash flows at the following rates:

(%)	2014	2015
Euro	0.16-0.36	0.77-2.86
US Dollar	0.27-1.28	1.42-1.42

The difference between the fair value of long-term debt and its nominal value was mainly due to the debt of €750 million expiring in 2019.
Long-term debt to related parties is shown in Note 45 'Transactions with related parties'.
Net borrowings indicated in 'Financial and economic results' in the Annual Report are shown below:

	Dec. 31, 2014			Dec. 31, 2015		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	1,602	-	1,602	1,066	-	1,066
B. Available-for-sale securities	9	-	9	26	-	26
C. Liquidity (A+B)	**1,611**	**-**	**1,611**	**1,092**	**-**	**1,092**
D. Financing receivables	**58**	**-**	**58**	**30**	**-**	**30**
E. Short-term bank debt	277	-	277	176	-	176
F. Long-term bank debt	-	250	250	4	252	256
G. Short-term related party debt	1,873	-	1,873	2,781	-	2,781
H. Long-term related party debt	594	3,064	3,658	643	2,571	3,214
I. Other short-term debt	36	-	36	59	-	59
L. Other long-term debt	-	-	-	9	18	27
M.Total borrowings (E+F+G+H+I+L)	**2,780**	**3,314**	**6,094**	**3,672**	**2,841**	**6,513**
N. Net financial position pursuant to Consob Communication No. DEM/6064293/2006 (M-C-D)	**1,111**	**3,314**	**4,425**	**2,550**	**2,841**	**5,391**
O. Non-current financing receivables	**-**	**1**	**1**	**-**	**1**	**1**
P. Net borrowings (N-O)	**1,111**	**3,313**	**4,424**	**2,550**	**2,840**	**5,390**

Net borrowings include a liability relating to the interest rate swap but do not include the fair value of derivatives indicated in Note 7 'Other current assets', Note 13 'Other non-current assets', Note 18 'Other current liabilities' and Note 23 'Other non-current liabilities'.
Cash and cash equivalents included €85 million deposited in frozen accounts or in trust funds, as indicated in Note 1 'Cash and cash equivalents'.

20 Provisions

Provisions for contingencies of €238 million (€218 million at December 31, 2014) consisted of the following:

(€ million)	Opening balance	Additions	Deductions	Other changes	Closing balance
Dec. 31, 2014					
Provisions for taxes	55	4	(13)	2	48
Provisions for contractual penalties and disputes	14	19	(5)	-	28
Provisions for losses of investments	8	4	-	(4)	8
Provision for contractual expenses and losses on long-term contracts	83	63	(48)	4	102
Other	44	50	(59)	(3)	32
Total	**204**	**140**	**(125)**	**(1)**	**218**
Dec. 31, 2015					
Provisions for taxes	48	17	(9)	-	56
Provisions for contractual penalties and disputes	28	12	(23)	(1)	16
Provisions for losses of investments	8	-	(7)	-	1
Provision for contractual expenses and losses on long-term contracts	102	74	(53)	3	126
Other	32	20	(11)	(2)	39
Total	**218**	**123**	**(103)**	**-**	**238**

The **provisions for taxes** amounted to €56 million and related principally to disputes with foreign tax authorities that are either ongoing or potential, taking into account the results of recent assessments.
The **provisions for contractual penalties and disputes** amounted to €16 million and consisted of provisions set aside by Saipem SpA and a number of foreign subsidiaries in relation to ongoing disputes.
The **provisions for losses of investments** related to provisions for losses of investments that exceed their carrying amount.
The **provision for contractual expenses and losses on long-term contracts** stood at €126 million and related to an estimate of losses on long-term contracts in the Offshore and Onshore Engineering & Construction sectors.
Other provisions amounted to €39 million.
For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 153.

21 Provisions for employee benefits

Provisions for employee benefits at December 31, 2015 amounted to €211 million (€237 million at December 31, 2014) and were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
TFR	62	52
Foreign defined benefit plans	101	95
FISDE and other health plans	23	23
Other provisions for long-term employee benefits	51	41
Total	**237**	**211**

Provisions for employee benefits of the Saipem Group relate to employee termination indemnities, foreign defined benefit plans, the supplementary medical reserve for Eni managers (FISDE), and other long-term benefits.
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 – for post-retirement indemnities under the Italian TFR are paid into pension funds or the treasury fund held by the Italian administration for post-retirement benefits (Inps). For companies with less than 50 employees it was possible to continue the scheme as in previous years.
The choice applied retrospectively from January 1, 2007. 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 provisions 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, which occurred in 2007, 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.
Foreign defined benefit plans related to:
- defined benefit plans of foreign companies located, primarily, in France, the United Kingdom and Norway;
- pension provisions and similar obligations for personnel employed abroad, to whom local legislation applies.

Benefits consist of a return on capital determined on the basis of the length of service and the 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.
Other provisions for long-term employee benefits related mainly to deferred monetary incentive plans, long-term incentive plans, jubilee awards and other long-term plans.
The deferred monetary 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 incentive plans, which replace the previous stock option plans, provide for a variable pay-out after a three-year vesting period based on performance targets. Jubilee awards are benefits due following the attainment of a minimum period of service and, with regard to the Italian companies, they consist of remuneration in kind.
Provisions for employee benefits calculated using actuarial techniques are detailed below:

	Dec. 31, 2014					Dec. 31, 2015				
(€ million)	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits	Total	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits	Total
Present value of benefit obligation at beginning of year	**58**	**158**	**20**	**60**	**296**	**62**	**187**	**23**	**51**	**323**
Current cost	-	16	1	11	28	-	17	1	14	32
Interest expense	2	6	1	1	10	1	7	-	1	9
Remeasurements:	5	15	2	(2)	20	(3)	(2)	-	(11)	(16)
- actuarial gains and losses arising from changes in demographic assumptions	-	-	-	-	-	-	*3*	-	*(1)*	*2*
- actuarial gains and losses arising from changes in financial assumptions	*6*	*18*	*3*	*3*	*30*	-	*(7)*	-	*(9)*	*(16)*
- experience adjustments	*(1)*	*(3)*	*(1)*	*(5)*	*(10)*	*(3)*	*2*	-	*(1)*	*(2)*
Past service cost and gains/losses arising from settlements	-	1	-	3	4	-	(7)	-	-	(7)
Contributions to plan:	-	-	-	-	-	-	-	-	-	-
- contributions to plan by employees	-	-	-	-	-	-	-	-	-	-
- contributions to plan by employer	-	-	-	-	-	-	-	-	-	-
Benefits paid	(3)	(9)	(1)	(22)	(35)	(5)	(21)	(1)	(13)	(40)
Business division transactions	-	-	-	-	-	(4)	-	-	-	(4)
Exchange rate differences and other changes	-	-	-	-	-	1	-	-	(1)	-
Present value of benefit obligation at end of year	**62**	**187**	**23**	**51**	**323**	**52**	**181**	**23**	**41**	**297**
Plan assets at beginning of year	**-**	**77**	**-**	**-**	**77**	**-**	**86**	**-**	**-**	**86**
Interest income	-	3	-	-	3	-	3	-	-	3
Return on plan assets	-	1	-	-	1	-	(2)	-	-	(2)
Past service cost and gains/losses arising from settlements	-	-	-	-	-	-	(5)	-	-	(5)
Contributions to plan:	-	8	-	-	8	-	9	-	-	9
- contributions to plan by employees	-	-	-	-	-	-	-	-	-	-
- contributions to plan by employer	-	*8*	-	-	*8*	-	*9*	-	-	*9*
Benefits paid	-	(3)	-	-	(3)	-	(4)	-	-	(4)
Exchange rate differences and other changes	-	-	-	-	-	-	(1)	-	-	(1)
Plan assets at year end	**-**	**86**	**-**	**-**	**86**	**-**	**86**	**-**	**-**	**86**
Net liability	**62**	**101**	**23**	**51**	**237**	**52**	**95**	**23**	**41**	**211**

The value of the net liability for other provisions for long-term employee benefits of €41 million (€51 million December 31, 2014) related to deferred monetary incentives (€3 million; €5 million at December 31, 2014), jubilee awards (€10 million; €13 million at December 31, 2014), the long-term incentive plan (€2 million; €2 million at December 31, 2014) and other long-term overseas plans (€26 million; €31 million at December 31, 2014).
Costs for employee benefits determined using actuarial assumptions charged to the income statement are detailed below:

	Dec. 31, 2014					Dec. 31, 2015				
(€ million)	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits	Total	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits	Total
Current cost	-	16	1	11	28	-	17	1	14	32
Past service cost and gains/losses arising from settlements	-	1	-	3	4	-	(2)	-	-	(2)
Net interest expense (income):										
- interest cost on obligation	2	6	1	1	10	1	7	-	1	9
- interest income on plan assets	-	(3)	-	-	(3)	-	(3)	-	-	(3)
Total net interest income (expense)	2	3	1	1	7	1	4	-	1	6
of which recognised in payroll costs	-	-	-	*1*	*1*	-	-	-	*1*	*1*
of which recognised in finance income (expense)	*2*	*3*	*1*	-	*6*	*1*	*4*	-	-	*5*
Remeasurement of long-term plans	-	-	-	(2)	(2)	-	-	-	(11)	(11)
Total	**2**	**20**	**2**	**13**	**37**	**1**	**19**	**1**	**4**	**25**
of which recognised in payroll costs	-	*17*	*1*	*13*	*31*	-	*15*	*1*	*4*	*20*
of which recognised in finance income (expense)	*2*	*3*	*1*	-	*6*	*1*	*4*	-	-	*5*

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

	2014				2015			
(€ million)	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Total	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Total
Remeasurements:								
- actuarial gains and losses arising from changes in demographic assumptions	-	-	-	-	-	3	-	3
- actuarial gains and losses arising from changes in financial assumptions	6	18	3	27	-	(7)	-	(7)
- experience adjustments	(1)	(3)	(1)	(5)	(3)	2	-	(1)
- return on plan assets	-	(1)	-	(1)	-	2	-	2
Total	**5**	**14**	**2**	**21**	**(3)**	**-**	**-**	**(3)**

Plan assets consisted of the following:

(€ million)	Cash and cash equivalents	Equity instruments	Debt instruments	Real estate	Derivative financial instruments	Mutual funds	Assets held by insurance companies	Structured debt securities	Other assets	Total
Plan assets:										
- prices quoted in active markets	17	12	12	5	11	8	13	-	8	86
- prices not quoted in active markets	-	-	-	-	-	-	-	-	-	-
Total	**17**	**12**	**12**	**5**	**11**	**8**	**13**	**-**	**8**	**86**

The main actuarial assumptions used in the evaluation of post-retirement benefit obligations at year end and the estimate of costs expected for 2016 were as follows:

		TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits
2014					
Main actuarial assumptions:					
- discount rates	(%)	2	2.30-15.00	2.00-8.00	0.50-8.00
- rate of compensation increase	(%)	2	2.75-14.00	-	1.50-14.00
- expected rate of return on plan assets	(%)	-	2.30-3.40	-	-
- rate of inflation	(%)	2	1.50-9.00	2.00-6.00	1.50-9.00
- life expectancy at 65 years	(years)	-	15-25	20-25	-
2015					
Main actuarial assumptions:					
- discount rates	(%)	2	2.00-12.00	2.00-8.03	0.50-12.00
- rate of compensation increase	(%)	2	1.50-14.00	-	1.00-14.00
- expected rate of return on plan assets	(%)	-	2.50-3.65	-	-
- rate of inflation	(%)	2	1.50-9.00	2.00-6.00	2.00-9.00
- life expectancy at 65 years	(years)	-	15-25	20-25	-

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

		Eurozone	Rest of Europe	Africa	Other
2014					
Discount rates	(%)	0.50-2.00	2.30-3.40	3.00-15.00	2.60-8.00
Rate of compensation increase	(%)	2.54-3.18	2.75	1.00-9.00	5.00-6.00
Rate of inflation	(%)	2.00	1.50-3.00	3.50-9.00	3.00-7.00
Life expectancy at 65 years	(years)	22-25	15-25	15	17
2015					
Discount rates	(%)	0.50-2.00	2.50-3.65	3.50-12.00	2.20-8.80
Rate of compensation increase	(%)	2.00-3.13	2.50	1.00-14.00	2.50-12.00
Rate of inflation	(%)	2.00	1.50-2.95	3.50-9.00	2.00-7.00
Life expectancy at 65 years	(years)	22-25	15-25	15	17

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

	Discount rate		Rate of inflation	Rate of compensation increase	Expected rates of pension increases	Medical cost trend rates
(€ million)	0.5% increase	0.5% decrease	0.5% increase	0.5% increase	0.5% increase	1% increase
Impact on net defined benefit obligation						
TFR	(3)	3	2	-	-	-
Foreign defined benefit plans	(11)	13	3	7	4	-
FISDE and other foreign health plans	(2)	2	-	-	-	2
Other provisions for long-term employee benefits	(1)	1	1	1	-	-

The sensitivity analysis was performed by applying the modified parameters to the results of the analyses conducted for each plan.
The amount expected to be accrued to foreign defined benefit plans in the subsequent year is €7 million.

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

(€ million)	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits
2016	2	14	1	7
2017	2	9	1	3
2018	2	12	1	8
2019	3	11	1	3
2020	4	10	1	4
After	21	59	5	9

The weighted average duration of obligations is as follows:

(years)	TFR	Foreign defined benefit plans	FISDE and other foreign health plans	Other provisions for long-term employee benefits
2014	11	16	15	8
2015	11	13	16	8

22 Deferred tax liabilities

Deferred tax liabilities of €10 million (€40 million at December 31, 2014) are shown net of offsettable deferred tax assets of €281 million.

(€ million)	Dec. 31, 2014	Additions	Deductions	Currency translation differences	Other changes	Dec. 31, 2015
Deferred tax liabilities	40	42	(66)	3	(9)	10
Total	**40**	**42**	**(66)**	**3**	**(9)**	**10**

The item 'Other changes', which amounted to negative €9 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (negative €7 million); (ii) the positive tax effects (€6 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) income tax (positive €1 million) relating to remeasurements of defined benefit plans reported in equity; (iv) other changes (negative €9 million).

A breakdown of deferred tax assets is provided in Note 12 'Deferred tax assets'.

23 Other non-current liabilities

Other non-current liabilities of €42 million (€2 million at December 31, 2014) were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Fair value of hedging derivatives	-	5
Trade and other payables	2	37
Total	**2**	**42**

24 Assets held for sale

In January 2015, Snamprogetti Netherlands BV completed the sale of its interests in Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA. As of December 31, 2015 there were no assets held for sale.

Shareholder's equity

25 Non-controlling interests

Non-controlling interests at December 31, 2015 amounted to €45 million (€41 million at December 31, 2014). The table below shows income statement, balance sheet and cash flow data before intercompany eliminations for ER SAI Caspian Contractor Llc, a Group subsidiary in which there were significant non-controlling interests at December 31, 2015 (€41 million).

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Non-controlling interests (%)	**50**	**50**
Current assets	168	493
Non-current assets	103	157
Current liabilities	194	555
Non-current liabilities	13	13
Revenues	220	732
Shareholders' equity	64	82
Net profit (loss) for the year	(21)	11
Total comprehensive income (loss) for the year	(9)	19
Net cash provided by operating activities	(75)	367
Net cash flow from investments	(14)	(11)
Net cash from financing activities	(25)	(91)
Net cash flow for the year	(109)	271
Net profit (loss) for the year attributable to non-controlling interests	(10)	6
Dividends paid to non-controlling interests	45	-

During 2015 there were no changes in ownership interests that did not result in loss or acquisition of control.

26 Saipem's shareholders' equity

Saipem's shareholders' equity at December 31, 2015 amounted to €3,474 million and was as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Share capital	441	441
Share premium reserve	55	55
Legal reserve	88	88
Cash flow hedge reserve	(275)	(267)
Cumulative currency translation differences	(9)	76
Employee defined benefits reserve	(19)	(18)
Other	6	6
Retained earnings	4,123	3,942
Net profit (loss) for the year	(230)	(806)
Treasury shares	(43)	(43)
Total	**4,137**	**3,474**

Saipem's shareholders' equity at December 31, 2015 included distributable reserves of €1,951 million (€3,931 million at December 31, 2014), 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 (€67 million).

27 Share capital

At December 31, 2015, the share capital of Saipem SpA, fully paid-up, amounted to €441 million, corresponding to 441,410,900 shares, none with a nominal value, of which 441,301,574 are ordinary shares and 109,326 savings shares. On April 30, 2015, the Annual Shareholders' Meeting resolved to forego the distribution of a dividend for ordinary shares and to distribute a dividend for savings shares amounting to 5% of the nominal value, i.e. €0.05 per share.

28 Share premium reserve

The share premium reserve amounted to €55 million at year end 2015 and was unchanged from December 31, 2014.

29 Other reserves

At December 31, 2015, 'Other reserves' amounted to negative €115 million (negative €209 million at December 31, 2014) and consisted of the following items.

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Legal reserve	88	88
Cash flow hedge reserve	(275)	(267)
Cumulative currency translation differences	(9)	76
Employee defined benefits reserve	(19)	(18)
Other	6	6
Total	**(209)**	**(115)**

Legal reserve

At December 31, 2015, the legal reserve stood at €88 million. This represents the portion of profits, accrued as per Article 2430 of the Italian Civil Code, that cannot be distributed as dividends. The reserve remained unchanged, having reached a fifth of share capital.

Cash flow hedge reserve

This reserve showed a negative balance at period end of €267 million (negative balance of €275 million at December 31, 2014), which related to the fair value of interest rate swaps, commodity hedges and the spot component of foreign exchange risk hedges at December 31, 2015.
The cash flow hedge reserve is shown net of tax effects of €100 million (€91 million at December 31, 2014).

Cumulative currency translation differences

This reserve amounted to positive €76 million (negative €9 million at December 31, 2014) and related to exchange rate differences arising from the translation into euro of financial statements denominated in functional currencies other than euro (mainly the US dollar).

Employee defined benefits reserve

This reserve is used to recognise remeasurements of employee defined benefit plans. At December 31, 2015, it had a negative balance of €18 million (negative €19 million at December 31, 2014). The reserve includes a positive amount of €1 million relating to investments accounted for using the equity method.
The reserve is shown net of tax effects of €5 million.

Other

This item amounted to €6 million (€6 million at December 31, 2014). This refers to the allocation of part of the net profit of the year 2005 of the parent company in accordance with the provisions of Article 2426, 8-*bis* of the Italian Civil Code. It also contains the revaluation reserve set up by Saipem SpA in previous years, amounting to €2 million, and a reserve with a negative balance of €1 million for cash flow hedges of investments accounted for using the equity method.

30 Treasury shares

Saipem SpA holds treasury shares to the value of €43 million (€43 million at December 31, 2014), consisting of 1,939,832 (1,939,832 at December 31, 2014), none of which have a nominal value.

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

	Number of shares	Average cost (€)	Total cost (€ million)	Share capital (%)
Treasury shares repurchased				
2003 (from May 2)	2,125,000	6.058	13	0.48
2004	1,395,000	7.044	10	0.32
2005	3,284,589	10.700	35	0.74
2006	1,919,355	18.950	36	0.43
2007	848,700	25.950	22	0.19
2008	2,245,300	25.836	58	0.51
Total	**11,817,944**	**14.745**	**174**	**2.67**
Less treasury shares allocated:				
- without consideration, as stock grants	1,616,400			
- against payment, as stock options	8,261,712			
Treasury shares held at December 31, 2015	**1,939,832**			

At December 31, 2015, there was no longer any stock option plan because the 2008 stock option plan approved by the Shareholders' Meeting of Saipem SpA on April 28, 2008 terminated in July 2015 as the deadline had lapsed for exercising the stock option on Saipem shares. The stock option rights existing at January 1, 2015 were not exercised and have accordingly lapsed.
Further information on stock option plans is provided in Note 36 'Payroll and related costs'.

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

	Dec. 31, 2014		Dec. 31, 2015	
(€ million)	Net result	Shareholders' equity	Net result	Shareholders' equity
As reported in Saipem SpA's financial statements	**70**	**1,401**	**(127)**	**1,301**
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	(261)	2,343	(850)	1,581
Consolidation adjustments, net of effects of taxation:				
- difference between purchase cost and underlying book value of shareholders' equity	(5)	807	(7)	801
- elimination of unrealised intercompany profits	33	(371)	30	(343)
- other adjustments	(75)	(2)	165	179
Total shareholders' equity	**(238)**	**4,178**	**(789)**	**3,519**
Non-controlling interests	8	(41)	(17)	(45)
As reported in the consolidated financial statements	**(230)**	**4,137**	**(806)**	**3,474**

31 Additional information

Supplement to cash flow statement

(€ million)	Dec. 31, 2015
Disposals of consolidated subsidiaries and businesses	
Current assets	-
Non-current assets	1
Net liquidity (net borrowings)	-
Current and non-current liabilities	(6)
Net effect of disposals	**(5)**
Fair value of interest after control has ceased	-
Gain on disposals	51
Minority interest	-
Total sale price	**46**
less:	
Cash and cash equivalents	-
Cash flows from disposals	**46**

Disposals in 2015 concerned the sale of the Saipem SpA businesses Servizi Ambiente and Centro Esecuzione Progetti Roma-Vibo, to Syndial SpA and Tecnomare SpA.

32 Guarantees, commitments and risks

Guarantees

Guarantees amounted to €7,038 million (€8,169 million at December 31, 2014), and were as follows:

(€ million)	Dec. 31, 2014 Unsecured	Dec. 31, 2014 Other guarantees	Dec. 31, 2014 Total	Dec. 31, 2015 Unsecured	Dec. 31, 2015 Other guarantees	Dec. 31, 2015 Total
Joint ventures and associates	283	184	467	221	136	357
Consolidated companies	126	2,331	2,457	75	1,947	2,022
Own	142	5,103	5,245	22	4,637	4,659
Total	**551**	**7,618**	**8,169**	**318**	**6,720**	**7,038**

Other guarantees issued for consolidated companies amounted to €1,947 million (€2,331 million at December 31, 2014) and related to independent guarantees given to third parties relating mainly to bid bonds and performance bonds.
Guarantees issued to/through related parties are detailed in Note 45 'Transactions with related parties'.
For details on amounts relating to projects under execution in Algeria, see Note 49 'Additional information: Algeria' on page 153.

Commitments

Saipem SpA has provided commitments towards customers and/or other beneficiaries (financial and insurance institutions, export credit agencies) relating to the fulfilment of contractual obligations entered into by itself and/or by its subsidiaries, jointly-controlled entities or associated companies in the event of non-performance and payment of any damages arising from non-performance.
These commitments guarantee contracts whose overall value amounted to €44,187 million (€40,912 million at December 31, 2014), including both work already performed and the relevant portion of the backlog of orders at December 31, 2015.

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]	19	(91)	-
Receivables and payables and other assets (liabilities) measured at amortised cost			
Trade and other receivables [b]	3,314	33	-
Financial receivables [a]	34	-	-
Trade and other payables	5,186	14	-
Financial payables [a]	6,513	(195)	-
Net hedging derivative assets (liabilities) [c]	(68)	(488)	(1)

(a) The income statement effects relate only to the income (expense) indicated in Note 39 'Finance income (expense)'.
(b) Income statement effects of €19 million relating to currency translation gains (losses) arising from adjustments to the year-end exchange rate were recognised in 'Finance income (expense)'.
(c) Income statement effects were recognised in 'Net sales from operations' and in 'Purchases, services and other costs' (-€488 million).

FAIR VALUE MEASUREMENT

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, 2015 are classified as follows:

(€ million)	Dec. 31, 2015 Level 1	Level 2	Level 3	Total
Held for trading financial assets (liabilities):				
- non-hedging derivatives	-	(19)	-	(19)
Available-for-sale financial assets:				
- other assets available-for-sale	26	-	-	26
Net hedging derivative assets (liabilities)	-	(68)	-	(68)
Total	**26**	**(87)**	**-**	**(61)**

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

NOTIONAL AMOUNTS OF DERIVATIVES

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

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

INTEREST RATE RISK MANAGEMENT

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

(€ million)	Notional amount at Dec. 31, 2015
Interest rate swaps	250

The table below shows swaps entered into, weighted average interest rates and maturities. Average interest rates are based on year end rates and may be subject to changes that could have a significant impact on future cash flows. Comparisons between the average buying and selling rates are not indicative of the fair value of derivatives. In order to determine their fair value, the underlying transactions must be taken into account.

		Dec. 31, 2014	Dec. 31, 2015
Notional amount	(€ million)	250	250
Weighted average rate received	(%)	0.094	0.094
Weighted average rate paid	(%)	0.185	0.185
Weighted average maturity	(years)	3	2

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

EXCHANGE RATE RISK MANAGEMENT

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

(€ million)	Notional amount at Dec. 31, 2014	Notional amount at Dec. 31, 2015
Forward foreign exchange contracts	3,092	2,765

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, 2014		Notional amount at Dec. 31, 2015	
(€ million)	Purchase	Sell	Purchase	Sell
AUD	315	96	80	47
CAD	17	-	8	-
CHF	74	12	-	31
CNY	28	-	4	-
EUR	247	45	145	21
GBP	256	88	128	37
JPY	52	3	41	1
KWD	-	-	227	511
MXN	26	25	-	-
NOK	140	87	67	62
PLN	-	-	-	-
RUB	36	65	-	-
SGD	491	5	606	20
USD	4,970	9,318	3,160	6,501
Total	**6,652**	**9,744**	**4,466**	**7,231**

The table below shows the hedged future cash flows at December 31, 2015, by time period of occurrence and expressed in euro.

(€ million)	First quarter 2016	Second quarter 2016	Third Quarter 2016	Fourth quarter 2016	2017 and beyond	Total
Revenues	805	963	687	600	1,312	**4,367**
Expenses	346	365	310	210	648	**1,879**

COMMODITY PRICE RISK

Saipem only enters into commodity contracts with the purpose of managing its commodity price risk exposure.
At December 31, 2015 there were no forward commodity contracts.

	Notional amount at Dec. 31, 2014		Notional amount at Dec. 31, 2015	
(€ million)	Purchase	Sell	Purchase	Sell
Forward commodity contracts	17	2	-	-

Legal proceedings

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

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 parent company of Snamprogetti Netherlands BV, was a direct subsidiary of Eni SpA until February 2006, when an agreement was entered into for the sale of Snamprogetti SpA to Saipem SpA. Snamprogetti SpA was merged into Saipem SpA as of October 1, 2008. As part of the sale of Snamprogetti SpA, Eni agreed to indemnify Saipem for costs and potential losses resulting from the investigations into the TSKJ matter, including in connection with all related subsidiaries.
A number of judicial authorities, including the Milan Public Prosecutor's office, have carried out investigations into alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials. The proceedings in both the United States and Nigeria have been resolved through settlements.
The proceedings in Italy: the investigation regards events dating back to 1994 and also concerns the period subsequent to the introduction of Legislative Decree No. 231 of June 8, 2001 regarding the administrative responsibility of companies. The proceedings brought by the Milan Public Prosecutor against Eni SpA and Saipem SpA related to administrative responsibility under Legislative Decree No. 231/2001 arising from offences of international corruption allegedly committed by former managers of Snamprogetti.

The Milan Public Prosecutor requested the application of precautionary measures pursuant to Legislative Decree No. 231/2001 consisting in Eni and Saipem being debarred from activities involving – directly or indirectly – any contractual relationships with the Nigerian National Petroleum Corp or its subsidiaries, claiming the ineffectiveness and inadequacy and violation of the organisational, management and control model adopted to prevent the commission of the alleged offences by persons subject to direction and supervision.
On November 17, 2009, the Judge for the Preliminary Investigation rejected the request for precautionary measures of disqualification filed by the Milan Public Prosecutor, which subsequently appealed against this decision. On February 9, 2010, the Court of Appeal, exercising the function of judicial review court, handed down its ruling, which dismissed as unfounded the appeal of the Milan Public Prosecutor and upheld the decision of the Judge for the Preliminary Investigation. On September 30, 2010, the appeal was upheld by the Court of Cassation. The Supreme Court decided that the request for precautionary measures was admissible pursuant to Legislative Decree No. 231/2001 also in cases of alleged international corruption. The Milan Public Prosecutor's office subsequently withdrew its request for precautionary measures against Eni and Saipem following the payment by Snamprogetti Netherlands BV of a deposit of €24,530,580, which was also on behalf of Saipem SpA. During the criminal proceedings, accusations regarding alleged acts of corruption in Nigeria committed until and after July 31, 2004, were made. Added to this was 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, the Judge for the Preliminary Hearing ordered Saipem SpA (as the legal entity incorporating Snamprogetti SpA) and five former Snamprogetti SpA employees to stand trial. In February 2012, following a request made by the defence, the Court dismissed the charges against the physical persons under investigation, ruling that the charges had expired under the statute of limitations. The Court also ordered a separate trial for the continuation of proceedings against the legal person of Saipem only.
On July 11, 2013, the Court of Milan ruled that Saipem SpA had committed the unlawful administrative act, but accepted the existence of the attenuating circumstances provided for by Article 12, No. 2, letter a) of Legislative Decree No. 231/2001. The Court sentenced the Company to pay a fine of €600,000 and also ordered it to pay court costs. Finally, the Court ordered the confiscation of the deposit of €24,530,580 posted by Snamprogetti Netherlands BV with the Milan Public Prosecutor's office. On February 19, 2015, the Court of Appeal upheld the ruling of the Court of Milan.
On July 3, 2015, Saipem filed an appeal against the decision of the Court of Appeal with the Italian Court of Cassation. At the appeal hearing of February 12, 2016, the Court of Cassation rejected the appeal of Saipem SpA.
Saipem's involvement in the investigation into the activity of the TSKJ Consortium in Nigeria during the period 1994-2004 is due solely to the fact that in 2006 Saipem SpA acquired Snamprogetti SpA, the parent company of Snamprogetti Netherlands BV, which holds a 25% stake in the TSKJ Consortium.
The decisions of the Court of Milan, the Milan Court of Appeal and the Court of Cassation have no financial impact on Saipem since Eni SpA, at the time of the sale of Snamprogetti SpA to Saipem, undertook to indemnify Saipem for costs and losses sustained in connection with the TSKJ matter.

Algeria

The investigations in Italy: on February 4, 2011, the Milan Public Prosecutor's office, through Eni, requested the transmission of documentation pursuant to Article 248 of the Code of Criminal Procedure. This related to the activities of Saipem Group companies in Algeria in connection with an allegation of international corruption. The crime of 'international corruption' mentioned in the request is sanctioned by Legislative Decree No. 231 of June 8, 2001, concerning the direct liability of collective entities arising from certain offences involving their employees.
The collection of documentation was commenced in prompt compliance with the request, and on February 16, 2011, Saipem filed the material requested.
On November 22, 2012, Saipem received a notification of inquiry from the Milan Public Prosecutor's office related to alleged unlawful administrative acts arising from the crime of international corruption pursuant to Article 25, paragraphs 2 and 3 of Legislative Decree No. 231/2001, together with a request to provide documentation regarding a number of contracts connected with activities in Algeria. This request was followed by notification of a seizure order on November 30, 2012, two further requests for documentation on December 18, 2012 and February 25, 2013 and the issue of a search warrant on January 16, 2013.
On February 7, 2013, a search was conducted, including at offices belonging to Eni SpA, to obtain additional documentation relating to intermediary agreements and subcontracts entered into by Saipem in connection with its Algerian projects.
The subject of the investigations are allegations of corruption which, according to the Milan Public Prosecutor, occurred up until and after March 2010 in relation to a number of contracts the Company was awarded in Algeria.
Several former employees of the Company are involved in the proceedings, including the former Deputy Chairman and CEO, the former Chief Operating Officer of the Engineering & Construction Business Unit and the former Chief Financial Officer. 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. On July 17, 2013, the Board of Directors analysed the conclusions reached by the external consultants following an internal investigation carried out in relation to a number of brokerage contracts and subcontracts regarding projects in Algeria. The internal investigation was based on the examination of documents and interviews of personnel from the Company and other companies in the Group, excluding those that, to the best knowledge of the Company, would be directly involved in the criminal investigation, so as not to interfere in the investigative activities of the Prosecutor. The Board, confirming its full cooperation with the investigative authorities, has decided to convey the findings of the external consultants to the Milan Public Prosecutor, for any appropriate assessment and initiative regarding competence in the wider context of the ongoing investigation. The consultants reported to the Board: (i) that they found no evidence of payments to Algerian public officials through the brokerage contracts or subcontracts examined; (ii) that they found violations, deemed detrimental to the interests of the Company, of internal rules and procedures – in force at the time – in relation to the approval and management of brokerage contracts and subcontracts examined and a number of activities in Algeria.

The Board decided to initiate legal action against certain former employees and suppliers in order to protect the interests of the Company, reserving the right to take any further action necessary should additional information emerge.
On June 14, 2013, January 8, 2013 and July 23, 2014, the Milan Public Prosecutor's office submitted requests for extensions to the preliminary investigations. On October 24, 2014, notice was received of a request from the Milan Public Prosecutor for gathering evidence before trial, by way of questioning of the former Chief Operating Officer of the Saipem Engineering & Construction Business Unit and another former manager of Saipem, who are both under investigation in the criminal proceedings. After the request was granted, the Judge for the Preliminary Hearing in Milan set hearings for December 1 and 2, 2014. On January 15, 2015, Saipem SpA defence counsel received notice from the Milan Public Prosecutor's office of the conclusion of preliminary investigations, pursuant to Article 415-*bis* of the Italian Code of Criminal Procedure. Notice was also received by eight physical persons and the legal person of Eni SpA. In addition to the crime of 'international corruption' specified in the request from the Milan Public Prosecutor's office, the notice also contained an allegation against seven physical persons of a violation of Article 3 of Legislative Decree No. 74 of March 10, 2000 concerning the filing of fraudulent tax returns, in connection with the recording in the books of Saipem SpA of *'brokerage costs deriving from the agency agreement with Pearl Partners signed on October 17, 2007, as well as Addendum No. 1 to the agency agreement signed entered into August 12, 2009'*, which is alleged to have led subsequently to the inclusion in the *'consolidated tax return of Saipem SpA of profits that were lower than the real total by the following amounts: 2008: -€85,935,000; 2009: -€54,385,926'*.
Tax disputes: on February 5, 2015, the Milan tax unit of the Guardia di Finanza (Italian Finance Police) conducted a tax inspection at Saipem SpA premises. The official minutes describe the inspection as having focused on: *'a) Ires (Italian corporate income tax) and Irap (Italian regional production tax) for tax periods from January 1, 2008 to December 31, 2010, as well as fiscally relevant aspects elements emerging from checks performed as part of criminal proceedings No. 58461/14 - mod. 21 instituted by the Public Prosecutor's office of the Court of Milan (Substitute Public Prosecutors Fabio De Pasquale, Giordano Baggio and Isidoro Palma) [Algeria affair]*. (Omissis) *b) identifying, for the 2010 tax period only, transactions with companies resident or domiciled in non-EU countries or territories with preferential tax regimes (Article 110, paragraph 10 et seq. of the Italian Consolidated Income Tax Act; - verifying the compliance of the tax position of company employees for the year 2015 up until the day of the inspection'*. In connection with point a) of the tax inspection, on April 14, 2015, the Guardia di Finanza served Saipem SpA with a tax audit report in which the following costs are deemed as non-deductible because they are alleged to be 'costs arising from the commission of crimes' (pursuant to Article 14, paragraph 4-*bis*, of Law No. 437/1993):
- amounts paid in 2008 and 2009 by Snamprogetti SpA and Saipem SpA to Pearl Partners totalling approximately €140 million;
- the costs allegedly over-invoiced to Saipem by a subcontractor in 2009 and 2010 amounting to approximately €41.5 million.

Saipem SpA did not concur with the findings contained in the tax audit report and, on June 12, 2015, pursuant to Article 12, paragraph 5, of Law No. 212/2000 (the Italian Taxpayers' charter), presented its arguments in its defence, requesting that the question be closed, to the Large Taxpayers Unit of the Italian Revenue Agency's Lombardy Regional Tax Office, to which the Guardia di Finanza had transmitted the report. On July 9, 2015, the Large Taxpayers Unit of the Italian Revenue Agency's Lombardy Regional Tax Office served Saipem with four tax assessment notices relating to Ires and Irap taxes for 2008 and 2009. The total amounts requested in the four notices for taxes due, interest and fines, amounted to approximately €155 million (these notices were in reference only to a part of the costs connected with 2008 and 2009 annuities which according to the Guardia di Finanza are not deductible). On October 8, 2015, Saipem filed four substantially identical appeals to the Provincial Tax Commission, within the legal time limits, requesting on the merits that the assessments be cancelled.
The notices of assessment served on Saipem SpA have immediate effect (Article 29 of Legislative Decree No. 78/2010). Having decided not to file for the suspension of the execution of these notices, on January 15, 2016, the Company, while awaiting the decision of the Provincial Tax Commission in Milan, as a provisional measure, paid in a sum equal to one third of the taxes claimed, plus interest, increased by the penalty premium and interest accrued between the day following receipt of the notices of assessment and the date of payment, amounting to approximately €22 million. As things currently stand, the Revenue Office has not yet served any notices of assessment for 2010 annuity, in relation to which in the tax audit report of April 2015, the Guardia di Finanza claimed from Saipem approximately €28 million, for costs deemed non-deductible for Ires and Irap purposes, as they had allegedly derived from criminal activities.
Criminal proceedings in Italy: on February 26, 2015, Saipem SpA defence counsel received notice from the Judge for the Preliminary Hearing of the scheduling of a preliminary hearing, together with a request for committal for trial filed by the Milan Public Prosecutor's office on February 11, 2015. Notice was also received by eight physical persons and the legal person of Eni SpA. The hearing was scheduled by the Judge for the Preliminary Hearing for May 13, 2015. At the hearing, the Italian Revenue Agency instituted civil proceedings, while other requests to bring civil proceedings were rejected. The Judge for the Preliminary Investigation granted a request for adjournment made by the defence to allow time for the examination of the substantial amount of documentation filed by the Milan Public Prosecutor's office prior to the hearing. The hearing was adjourned until June 12, when the Prosecutor commenced presentation of its arguments.
On October 2, 2015, the Judge for the Preliminary Hearing rejected the questions of unconstitutionality and those relating to the statute of limitations presented by the defence attorneys and determined as follows:
(i) ruling not to proceed for lack of jurisdiction in regard to one of the accused;
(ii) ruling of dismissal in regard to all of the defendants in relation to the allegation that the payment of the commissions for the MLE project by Saipem (approximately €41 million) may have served to enable Eni to acquire the Algerian ministerial approvals for the acquisition of First Calgary and for the expansion of a field in Algeria (CAFC). This measure also contains the decision to acquit Eni, the former Managing Director and CEO of Eni and an Eni executive in regard to any other charge;
(iii) a decree that orders trial, among others, for Saipem and three former Saipem employees (the former Deputy Chairman and Managing Director-CEO, the former Chief Operating Officer of the Engineering & Construction Business Unit and the former Chief Financial Officer) with reference to the

charge of international corruption formulated by the Public Prosecutor's office according to which the accused were complicit in enabling Saipem to win seven contracts in Algeria on the basis of criteria of mere favouritism. For the physical persons only (not for Saipem) the committal for trial was pronounced also with reference to the allegation of fraudulent statements (tax offences) brought by the Public Prosecutor's office.

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

On November 17, 2015, the Milan Public Prosecutor and the Attorney's Office at the Milan Court of Appeal filed an appeal against: (i) the ruling of dismissal in regard to all of the accused in relation to the allegation that the payment of the commissions for the Algerian 'Menzel Ledjmet Est' (MLE) project by Saipem (approximately €41 million) may have served to enable Eni to acquire the Algerian ministerial approvals for the acquisition of First Calgary and for the expansion of a field in Algeria (CAFC); (ii) the ruling of acquittal of Eni, the former CEO of Eni and of an Eni senior manager of the charge of corruption in relation to the tender contracts assigned by Sonatrach to the Saipem Group; and against (iii) the ruling of acquittal of the former CEO of Eni and of an Eni senior manager of the charge of making a fraudulent tax return in relation to the tender contracts assigned by Sonatrach to the Saipem Group.

On February 24, 2016, the Court of Cassation, upheld the appeal lodged by the Milan Public Prosecutor and ordered the transmission of the trial documents to a new Judge for the Preliminary Hearing at the Court of Milan for a new preliminary hearing.

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

At the end of the first hearing before the Court of Milan on December 2, 2015, the trial was adjourned until January 25, 2016, due to a strike called by criminal lawyers. During the hearing of December 2, 2015, Sonatrach asked to be admitted as plaintiff only against the physical persons charged. The 'Movimento cittadini algerini d'Italia e d'Europa' likewise put forward a request to be admitted as plaintiff. The Revenue Office confirmed the request for admission as plaintiffs only against the physical persons accused of having made fraudulent tax returns. At the hearing of January 25, 2016, the Court of Milan rejected the request put forward by Sonatrach to admit Sonatrach as plaintiff, as well as the request to admit as plaintiff the 'Movimento cittadini algerini d'Italia e d'Europa'. The Court adjourned to February 29, 2016, reserving the right to pass judgement on the claims put forward by the accused to invalidity of the committals to trial. At the hearing of February 29, 2016, the Court combined the proceedings with another pending case against a sole defendant and rejected the claims of invalidity of the committal to trial and called on the Public Prosecutor to press charges against a sole defendant and adjourned the hearing to March 21, 2016.

Request for documents from the US Department of Justice: meanwhile, at the request of the US Department of Justice (DoJ), Saipem SpA entered into a 'tolling agreement' which extended by 6 months the limitation period applicable to any possible violations of federal laws of the United States in relation to previous activities of Saipem and its subsidiaries. The tolling agreement, which has been renewed until November 29, 2015, does not constitute an admission by Saipem SpA of having committed any unlawful act, nor does it imply any recognition on the Company's part of United States jurisdiction in relation to any investigation or proceedings. Saipem therefore offered its complete cooperation in relation to investigations by the Department of Justice, which on April 10, 2014 made a request for documentation relating to past activities of the Saipem Group in Algeria, with which Saipem has complied. On November 29, 2015, the tolling agreement expired and, at the time of writing, no request for an extension has been received from the Department of Justice.

Proceedings in Algeria: in Algeria in 2010 proceedings were initiated regarding various matters and involving 19 parties investigated for various reasons (so-called 'Sonatrach 1 investigation'). Société nationale pour la recherche, la production, le transport, la transformation et la commercialisation des hydrocarbures SpA ('Sonatrach') appeared as plaintiff in these proceedings and also the Algerian Trésor Public applied to appear as a plaintiff.

Furthermore, the Algerian company Saipem Contracting Algérie SpA ('Saipem Contracting Algérie') is part of these proceedings regarding the manner in which the GK3 contract was assigned by Sonatrach. In the course of these proceedings, some bank accounts denominated in local currency of Saipem Contracting Algérie were frozen.

In particular, in 2012 Saipem Contracting Algérie received formal notice of the referral to the Chambre d'accusation at the Court of Algiers of an investigation underway into the company regarding allegations that it had taken advantage of the authority or influence of representatives of a government-owned industrial and trading company in order to inflate prices in relation to contracts awarded by that company. The GK3 contract was awarded in June 2009 and had an equivalent value of €433.5 million (at the exchange rate in effect when the contract was awarded).

At the beginning of 2013, the 'Chambre d'accusation' ordered Saipem Contracting Algérie to stand trial and further ordered that the aforementioned current accounts remain frozen. According to the prosecution, the price offered was 60% over the market price. The prosecution also claimed that, following a discount negotiated between the parties subsequent to the offer, this alleged increase was reduced by up to 45% of the price of the contract awarded. In April 2013 and in October 2014, the Algerian Supreme Court rejected a request to unfreeze the bank accounts that had been made by Saipem Contracting Algérie in 2010. The documentation was then transmitted to the Court of Algiers which, in the hearing of March 15, 2015, adjourned the proceedings to the hearing of June 7, 2015, during which, in the absence of certain witnesses, the Court officially handed over the case to a criminal court. The trial commenced with the hearing fixed for December 27, 2015. In the hearing of January 20, 2016, the Algiers Public Prosecutor requested the conviction of all 19 defendants accused in the 'Sonatrach 1' trial.

The Algiers Public Prosecutor requested that Saipem Contracting Algérie be fined 5 million dinars (approximately €43,000 at the current rate of exchange).

The Algiers Public Prosecutor also requested the confiscation of the alleged profit, that will be ascertained by the Court, of all 19 parties whose conviction has been requested (including Saipem Contracting Algérie).

For the offence with which Saipem Contracting Algérie is charged, local regulations prescribe a fine as the main punishment (up to a maximum of about €50,000) and allow, in the case of the alleged offence, additional sanctions such as the confiscation of the profit arising from the alleged offence (which would be the equivalent of the amount allegedly over the market price of the GK3 contract the profit being ascertained by the judicial authority) and/or disqualification sanctions.
On February 2, 2016, the Court of Algiers issued the first instance ruling. Amongst other things, this ruling ordered Saipem Contracting Algérie to pay, a fine of about 4 million Algerian dinars (corresponding to about €34,000). In particular, Saipem Contracting Algérie was held to be responsible for the increase of the prices on the occasion of the assignment of the tender contract for the construction of the GK3 gas pipeline, as it is alleged to have benefited from the authority or influence of its representatives.
The ruling also returned two bank accounts denominated in local currency to Saipem Contracting Algérie. These accounts, which held a total of about €82 million (calculated at the exchange rate obtaining at December 31, 2015), had been frozen in 2010.
The client Sonatrach, which appeared as plaintiff in the proceedings, reserved the right to pursue its claims in the civil courts. The request by the Algerian Trésor Civil to appear as plaintiff was rejected.
Pending the Court's making known the reasons for its judgement, the decision of February 2, 2016 of the Court of Algiers has been challenged by Saipem Contracting Algérie (which requested acquittal and had announced that it would challenge the decision); by the Attorney's Office (which had requested the imposition of a fine of 5 million Algerian dinars, a request rejected by the Court, which, as already mentioned, fined Saipem Contracting Algérie the lesser amount of about 4 million Algerian dinars); by the Trésor Civil (whose request to be admitted as a plaintiff against Saipem Contracting Algérie was, as already stated, rejected by the Court); and finally, by all the other defendants with regard to the sentences passed upon them.
Owing to these challenges, the decision of the Court of Algiers was fully suspended. Pending the ruling of the Court of Cassation, payment of the fine of approximately €34 thousand is suspended. The unfreezing of the two banks accounts containing a total of approximately €82 million (calculated at the exchange rate obtaining at December 31, 2015) is likewise suspended.
Sonatrach reserved the right, accepted by the Court, to claim compensation in subsequent civil proceedings. To date, no such civil action has been brought by Sonatrach, and no indication for the amount of compensation sought has been indicated.
In March 2013, the legal representative of Saipem Contracting Algérie was summoned to appear at the Court of Algiers, where he received verbal notification from the local investigating judge of the commencement of an investigation ('Sonatrach 2') *'into Saipem for charges pursuant to Articles 25a, 32 and 53 of Anti-Corruption Law No. 01/2006'*. The investigating judge also requested documentation (articles of association) and other information concerning Saipem Contracting Algérie, Saipem SpA and Saipem SA.

Ongoing investigations - Public Prosecutor's office of Milan - Brazil

On August 12, 2015, the Public Prosecutor's office of Milan served Saipem SpA with a notice of investigation and a request for documentation in the framework of new criminal proceedings, for the alleged crime of international corruption, initiated by the Court of Milan in relation to a contract awarded in 2011 by the Brazilian company Petrobras to Saipem SA (France) and Saipem do Brasil (Brazil). The investigations are still ongoing and no new notifications have been received from the office of the Milan Public Prosecutor.
According to what was learned only through the press, this contract is being looked into by the Brazilian judicial authorities in relation to a number of Brazilian citizens, including a former collaborator of Saipem do Brasil.
In particular, on June 19, 2015, Saipem do Brasil learned through the media of the arrest (in regard to allegations of money laundering, corruption and fraud) of a former collaborator, as a result of a measure taken by the Brazilian Public Prosecutor's office of Curitiba, in the framework of a judicial investigation in progress in Brazil since March 2014 ('Lava Jato' investigation). On July 29, 2015, Saipem do Brasil then learned through the press that, in the framework of the conduct alleged against the former collaborator of Saipem do Brasil, the Brazilian Public Prosecutor's office also alleges that Petrobras was unduly influenced in 2011 to award Saipem do Brasil a contract called 'Cernambi' (for a value of approximately €115 million). This is purportedly deduced from the circumstance that in 2011, in the vicinity of the Petrobras headquarters, said ex collaborator of Saipem do Brasil was the target of robbery in which approximately 100,000 reals (approximately €26,000) just withdrawn from a credit institution were stolen from him. According to the Brazilian prosecutor, the robbery allegedly took place in a time period prior to the award of the aforesaid 'Cernambi' contract.
Saipem is fully cooperating with the investigations and has started an audit also with the assistance of a third-party consultant. The audit activities and the issuing of the report have not yet been completed.
The witnesses heard so far in the criminal proceedings underway in Brazil against this former collaborator, as well as in the framework of the works of the parliamentary investigative committee set up in Brazil on the 'Lava Jato' case, have stated that they were unaware of any irregularities regarding Saipem's activities. Also the former collaborator of Saipem do Brasil - who during 2015 agreed to cooperate with the judicial authorities - has not, at the time or writing, reported any unlawful acts relating to companies of the Saipem Group and, regarding the robbery of 100,000 Brazilian reals (approximately €26,000) of which he was a victim in October 2011, stated that it was money needed to pay expenses relating to buildings of a company he managed on behalf of a third party with respect to Saipem. The hearing set for November 11, 2015, in which the former collaborator of Saipem do Brasil and another two defendants were to be questioned, has been postponed to a later date to be set. Petrobras appeared as a plaintiff ('Assistente do Ministerio Publico') in the proceedings against the same defendants. The proceedings and the relevant investigations are still in progress in Brazil.
The Saipem Group has not received any notification in this regard from the Brazilian judicial authorities.

Kuwait

On June 21, 2011, a warrant requested by the Milan Public Prosecutor was served on Saipem SpA 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 notification of inquiry upon Saipem SpA pursuant to Italian Legislative Decree No. 231/2001. In this regard, the Company believes that its position will be cleared, since it is the injured party in respect of the illicit conduct under investigation.

Having consulted its lawyers, and in agreement with the Compliance Committee and the Internal Control Bodies, Saipem, through its Internal Audit function, and also using an external consulting company, promptly undertook an Internal Audit of the project under investigation. On March 2, 2012, Saipem SpA was served a request to extend the preliminary investigations filed by the Public Prosecutor. As of such date, the Company has received no further notifications, nor has there been any further news or evidence of any developments in the investigations.

EniPower

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. In the hearing of March 2, 2010, the Court confirmed the admission as plaintiffs of Eni SpA, EniPower SpA and Saipem SpA against the defendants under the provisions of Legislative Decree No. 231/2001. The defendants of the other companies involved were also sued. Subsequently, at the hearing of September 20, 2011, sentence was passed which included several convictions and acquittals for numerous physical and legal defendants, the latter being deemed responsible for unlawful administrative acts, with fines being imposed and value confiscation for significant sums ordered. The Court likewise rejected the admission as plaintiffs of the parties accused of unlawful administrative acts pursuant to Legislative Decree No. 231/2001. On December 19, 2011, the grounds for the ruling were filed with the office of the clerk of the Court. The convicted parties promptly filed an appeal against the above sentence. On October 24, 2013, the Milan Court of Appeal essentially confirmed the first instance ruling, which it modified only partially in relation to a number of physical persons, against whom it dismissed the charges, ruling that they had expired under the statute of limitations. The accused parties have filed an appeal with the Court of Cassation. On account of the complexity of the issues before it, on September 30, 2015, the Court of Cassation adjourned the hearing to November 10, 2015, upon which date it will make its final decision. Criminal Section VI of the Supreme Court, on November 10, 2015, in its ruling on the appeals lodged by the parties against the ruling of the Milan Court of Appeal, set aside the challenged ruling regarding legal persons, and the civil law rulings regarding physical persons and deferred a new ruling to another section of the Milan Court of Appeal.

Fos Cavaou

With regard to the Fos Cavaou ('FOS') project for the construction of a regasification terminal, the client Société du Terminal Méthanier de Fos Cavaou ('STMFC', now Fosmax LNG) in January 2012 commenced arbitration proceedings before the International Chamber of Commerce in Paris ('Paris ICC') against the contractor STS [a French 'société en participation' made up of Saipem SA (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)]. On July 11, 2011, the parties signed a mediation memorandum pursuant to the rules of Conciliation and Arbitration of the Paris ICC. The mediation procedure ended on December 31, 2011 without agreement having been reached, as Fosmax LNG refused to extend the deadline.

The brief filed by Fosmax LNG in support of its request for arbitration included a demand for payment of approximately €264 million for damages allegedly suffered, penalties for delays and costs for the completion of works ('mise en régie'). Of the total sum demanded, approximately €142 million was for loss of profit, an item excluded from the contract except for cases of wilful misconduct or gross negligence. STS filed its defence brief, including a counterclaim for compensation for damage due to excessive interference by Fosmax LNG in the execution of the works and for the payment of extra work not approved by the client (and reserving the right to quantify the amount as the arbitration proceeds). On October 19, 2012, Fosmax LNG lodged a 'Mémoire en demande'. Against this, STS lodged its own Statement of Defence on January 28, 2013, in which it filed a counterclaim for €338 million. The final hearing was held on April 1, 2014. On the basis of the award issued by the Arbitration Panel on February 13, 2015, Fosmax LNG paid STS the sum of €84,349,554.92, including interest. 50% of this amount is due to Saipem SA. On June 26, 2015, Fosmax LNG challenged the award before the French Council of State, requesting its annulment on the alleged basis that the arbitration panel had erroneously applied private law to the matter instead of public law. On September 17, 2015, STS lodged its own defence brief with the Council of State. On August 18, 2015, Fosmax LNG also filed an appeal with the Court of Appeal of Paris to obtain the annulment of the award, the enforceability of which had been recognised on April 7, 2015, and of which Fosmax LNG had been notified on July 24, 2015. The parties exchanged briefs and responses and, on November 18, 2015, there was a hearing before the Conseil d'Etat. Subsequently to the submission of the Rapporteur Public, the judges concluded the discussion phase. The Rapporteur requested committal to the Tribunal des Conflits, which has to present its decision within three months of the day on which it has been contacted. At the hearing of December 3, 2015 to discuss the suspension of the procedure promoted by the opposing party in the Court of Appeal the case was adjourned to the hearing of January 7, 2016. At this hearing the Court of Appeal suspended proceeding pending the decision of the Tribunal des Conflits. The hearing before the Tribunal des Conflits was held on March 14, 2016. Judgement is expected before the end of April 2016.

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

On December 23, 2013, Saipem filed a request for arbitration with the International Chamber of Commerce in Paris ('Paris ICC') in connection with the contract entered into on March 22, 2009, by Saipem SpA and Saipem Contracting Algérie SpA (collectively, 'Saipem') on the one hand, and Société nationale pour la recherche, la production, le transport, la transformation et la commercialisation des hydrocarbures SpA ('Sonatrach') and First Calgary Petroleums LP (collectively, the 'Client') on the other, for the engineering, procurement and construction of a natural gas gathering and treatment plant and related export pipelines in the Menzel Ledjmet Est field in Algeria. The Client was notified of the request on January 8, 2014. In its request for arbitration, as subsequently amended in the Statement of Claim on December 17, 2014 and the subsequent brief of January 15, 2016, Saipem requested that the Arbitration Tribunal grant: (i) an extension of the contractual terms by about 30.5 months; (ii) the right of Saipem to obtain payment of the equivalent of about €895 million (gross of the amount of €246 million already paid by First Calgary Petroleums LP on a without prejudice basis by way of advance payment on VORs), by way of increase of the contractual price because of an extension of time, variation orders, non payment of late invoices and spare parts and acceleration bonuses. Both Sonatrach and First Calgary Petroleums LP (this latter wholly owned by the Eni Group since 2008) have appointed their arbitrator and, on March 28, 2014, filed their respective Answers to the Request for Arbitration. The Chairman of the Arbitral Tribunal was appointed on May 26, 2014.

Sonatrach and First Calgary Petroleums LP filed their 'Mémoires en défense' on August 14, 2015, introducing a new counterclaim and specifying the value of their request as the equivalent of €256 million. Part of the new counterclaim proposed only by Sonatrach relates to the request of payment to Sonatrach of 25% of the commissions paid by Saipem to Pearl Partners in relation to the MLE project (25% of about €41 million) in addition to moral injury, estimated at not less than €20 million. The Arbitral Tribunal accepted the first request of Sonatrach, on which the tribunal must give its decision (as on all the other questions submitted to arbitration) at the end of the current preliminary investigation. Saipem filed its reply on January 15, 2016.

Sonatrach and FCP will file their replies on May 15, 2016. On June 30, 2016, Saipem will file its reply to the counterclaims and in July 2016 the hearings will be held.

Arbitration proceedings regarding LPG project in Algeria

On March 14, 2014, Saipem filed a request for arbitration with the International Chamber of Commerce in Paris in connection with the contract for the construction of the LDHP ZCINA plant (LPG project) for the 'extraction des liquides des gaz associés Hassi Messaoud et séparation d'huile' (LDHP ZCINA unit for extraction of liquids from associated gas from the Hassi Messaoud field and oil-gas separation), entered into on November 12, 2008 between, on the one hand, Sonatrach, and on the other, Saipem SA and Saipem Contracting Algérie SpA (collectively 'Saipem'). In its request, Saipem asked the Arbitration Tribunal to order Sonatrach to pay the equivalent of approximately €172 million for additional costs incurred as contractor during the execution of the project in relation to variation orders, time extensions, force majeure, non-payment or late payment of invoices and related interest. Sonatrach, in its answer to the request, which it filed on June 10, 2014, denied all liability and asserted a counterclaim requesting that Saipem be ordered to pay liquidated damages for delays amounting to USD 70.8 million. The Arbitral Tribunal was officially constituted on September 16, 2014, following the Chairman of the Arbitral Tribunal's acceptance of his appointment. On November 13, 2014, the parties reached an agreement on the proceedings schedule on the basis of which Saipem filed its 'Mémoire en demande' on March 13, 2015 and its 'Mémoire en Réplique et en Réponse à la Demande Reconventionnelle' on January 14, 2016, in which it set out its own claims for €104,297,332, USD 16,563,514 and 6,179,945,829 Algerian dinars (the equivalent of €172.17 million). Sonatrach filed its 'Mémoire en défense' on September 14, 2015, introducing a new counterclaim and specifying the value of its request as the equivalent of €256 million. The new counterclaim relates to the request for payment to Sonatrach of the commissions paid by Saipem to Pearl Partners relating to the LPG project (about €34.5 million), and moral damage. The Arbitral Tribunal decided not to accept the new counterclaim of Sonatrach because it was filed late.

Sonatrach will reply by May 14 and Saipem may file a further reply to Sonatrach's counterclaim by August 30, 2016.

The hearings are scheduled to be held in October 2016.

Arbitration proceedings regarding LZ2 project in Algeria

On May 12, 2015, Saipem SpA and Saipem Contracting Algérie SpA (collectively 'Saipem') filed a request for arbitration against Sonatrach for payment of €7,339,038 and 605,447,169 Algerian dinars, plus interest, for wrongly applied liquidated damages, extra works and project extension costs, with the International Chamber of Commerce in Paris. The request relates to the contract for the construction of a pipeline between Hassi R'Mel and Arzew in Algeria entered into by Saipem and Sonatrach on November 5, 2007 ('LZ2 project'). Saipem and Sonatrach appointed their arbitrators and the respondent filed its reply on September 7, 2015, introducing a counterclaim amounting to €8,559,000 plus interest and moral injury, to be quantified during the proceedings. The counterclaim relates to the request for payment to Sonatrach of the commissions paid to Pearl Partners relating to the LZ2 project (approximately €8.5 million).

The parties have not been able to agree on the name of the chair of the Arbitral Tribunal, so the chair will be named directly by ICC. The schedule of the proceedings has not yet been set.

Arbitration proceedings regarding the ARZEW project in Algeria

With reference to the contract for the construction of a natural gas liquefaction plant at Arzew (Algeria) (project GNL3Z ARZEW), entered into on July 26, 2008, between Sonatrach, on one side, and Saipem SpA, Saipem Contracting Algérie SpA (jointly 'Saipem') and Chiyoda, on the other, on July 31, 2015

Saipem filed a request for arbitration with the Chambre de Commerce Internationale in Paris. In its request, Saipem asked the Arbitral Tribunal to order Sonatrach to pay the equivalent of approximately €550 million for additional costs incurred as contractor during the execution of the project in relation to variation orders, extension of time, non-payment or late payment of invoices and related interest. Saipem has appointed its arbitrator. Sonatrach duly filed its reply, on October 28, 2015, asking by way of counterclaim that Saipem be ordered to pay the damages suffered due to alleged instances of non-fulfilment by Saipem, quantifying the related amounts at approximately USD 1.6 billion, 54 billion Algerian dinars, as well as €77.37 million in relation to fees paid by Saipem to Pearl Partners for the Arzew project.
On November 30, 2015, Saipem filed a short reply to Sonatrach's counterclaims.
The parties agreement on the name of the Chair of the Arbitral Court and on March 30, 2016 the hearing will be held to set the arbitration schedule and the procedural rules.

Court of Cassation - Consob Resolution No. 18949 of June 18, 2014 - Actions for damages

By order adopted by Resolution No. 18949 of June 18, 2014, Consob resolved to impose a pecuniary administrative penalty on Saipem of €80,000 in relation to an alleged delay in the issue of a profit warning by the Company on January 29, 2013. On July 28, 2014, Saipem SpA filed an appeal to the Court of Appeal of Milan to oppose the above-mentioned resolution. By decree filed on December 11, 2014, the Court of Appeal of Milan rejected the opposition made by Saipem SpA which then appealed to the Court of Cassation against the Decree issued by the Court of Appeal of Milan.
On April 28, 2015, a number of foreign institutional investors initiated legal action against Saipem SpA before the Court of Milan, seeking judgment against the Company for the compensation of alleged loss and damage (quantified in about €174 million), in relation to investments in Saipem shares which the claimants alleged that they had effected on the secondary market. In particular, the claimants sought judgment against Saipem requiring the latter to pay compensation for alleged loss and damage which purportedly derived from the following: (i) with regard to the main claim, from the communication of information alleged to be 'imprecise' over the period from February 13, 2012 and June 14, 2013; or (ii) in the alternative, from the allegedly 'delayed' Notice, only made on January 29, 2013, with the first 'profit warning' (the so-called 'First Notice') of privileged information which would have been in the Company's possession from July 31, 2012 (or such other date to be established during the proceedings, identified by the claimants, as a further alternative, on October 24, 2012, December 5, 2012, December 19, 2012 or January 14, 2013), together with information which was allegedly 'incomplete and imprecise' disclosed to the public over the period from January 30, 2013 to June 14, 2013, the date of the second 'profit warning' (the so-called 'Second Notice'). Saipem SpA entered an appearance in the proceedings, disputing the claims of it adversaries in their entirety, arguing that they were inadmissible and, in any case, unfounded on the merits. The proceedings are still at their initial stage given that the first hearing for the appearance of the parties was held in November 2015.
Demands for out-of-court settlement and mediation proceedings: with regard to the alleged delays in providing information to the markets, over 2015 and during the first months of 2016, Saipem SpA has received a number of out-of-court demands and mediation applications.
As far as the out-of-court claims are concerned, the following have been made: (i) in April 2015 by 48 institutional investors acting on their own behalf and/or on behalf of the funds managed by them respectively amounting to about €291.9 million, without specifying the value of the claims made by each investor/fund (subsequently, 21 of these institutional investors, together with a further 8 presented applications for mediation for a total amount of about €159 million; 5 of these institutional investors together with another 5, presented applications for mediation in relation to the total amount of about €21.9 million); (ii) in September 2015 by 9 institutional investors acting on their own behalf and/or for the funds managed by them respectively for a total amount of about €21.5 million, without specifying the value of the claims for compensation made by each investor/fund (subsequently 5 of these institutional investors together with another 5, made an application for mediation for a total amount of about €21.9 million); (iii) over 2015 by two private investors amounting respectively to about €37,000 and €87,500.
Those applications where mediation has been attempted, but with as yet no outcome, involve four main demands: (a) in April 2015 by 7 institutional investors acting on their own behalf and/or for the funds managed by them, in relation to about €34 million; (b) in September 2015 by 29 institutional investors on their own behalf and/or for the funds managed by them respectively, for a total amount of about €159 million (21 of these investors, together with another 27, submitted out-of-court demands in April 2015, complaining that they had suffered loss and damage for a total amount of about €291 million without specifying the value of the claims for compensation for each investor/fund); (c) in December 2015 by a private investor in the amount of about €200,000; (d) in March 2016 by 10 institutional investors on their own behalf and/or for the funds managed by each respectively, for a total amount of about €21.9 million (5 of these investors together with another 4 had presented out-of-court applications in September 2015, complaining they had suffered loss and damage for a total amount of about €21.5 million without specifying the value of the compensation sought by each investor/fund. Another 5 of these investors, together with a further 43, had presented out-of-court applications in April 2015 alleging they had suffered loss and damage for an amount of about €159 million without specifying the value of the compensation sought by each investor/fund).
Saipem SpA has responded to all the above applications for mediation and out-of-court demands by denying any liability. As at the date of approval of the preliminary financial statements by the Board of Directors, none of the above-described out-of-court demands or mediation applications have formed the subject matter of legal action before the courts.

Dispute with Husky - Sunrise Energy Project in Canada

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

During the execution of the works, the parties agreed several times to modify the contractual payment formula. Specifically: (i) in October 2012, the parties established that the works were to be paid for on a lump-sum basis, agreeing the amount of CA$ 1,300 million; (ii) subsequently, in early 2013, an incentive system was agreed that provided for Saipem's right to receive additional payments upon achieving certain objectives; (iii) starting from April 2014, the parties entered into numerous written agreements whereby Husky accepted to reimburse Saipem for its costs in excess of the lump sum amount previously agreed, determining a contract change from lump sum to reimbursable. As the end of the works approached, however, Husky stopped paying what it owed as reimbursement and, in March 2015, finally terminated the contract with Saipem, claiming that the latter had not complied with the contractual deadline for conclusion of the works.
In light of the above, Saipem Canada Inc took legal action, citing Husky, the aforesaid partnerships and the related members before the Court of Queen's Bench of Alberta, requesting, among other things, that payment of the following be ordered: (i) CA$ 800 million for damages that include the payments not made on a reimbursable basis, damages resulting from the termination of the contract, lost profits and the unjustified enrichment of Husky at the expense of Saipem Canada Inc; or, alternatively, (ii) the market value of the services, materials and financing rendered. The amount of CA$ 800 million was preliminarily and hence subject to increase.
In September 2015, Husky notified Saipem Canada Inc of a Request for Arbitration (Alberta Arbitration Act), affirming that, as a result of the reduction of the scope of work requested by Husky, the contractual lump sum price agreed with Saipem Canada Inc should be reduced proportionally on the basis of a specific contractual provision in this sense. On the basis of this, Husky requested that Saipem be ordered to pay the relevant sum, quantifying this claim as CA$ 45,684 million.
On October 6, 2015, Husky sued Saipem Canada Inc in the Court of Queen's Bench of Alberta, claiming that the payments it had made to Saipem, which were in excess of the lump sum amount agreed between the parties, were justified by Saipem's alleged threats to abandon the works if such additional payments were not made (economic duress). In addition, even after the execution of such payments, the performances of Saipem Canada Inc did not improve, forcing Husky to terminate the contract and complete the works on its own.
As a result, Husky asked the Canadian court to order Saipem Canada Inc to pay CA$ 1,325 million for alleged damages, an amount that includes, among other things: (i) payments in excess with respect to the agreed lump sum price; (ii) costs to complete the works following termination of the contract; (iii) damages for lost profits and the penalty for alleged delay in completion of the Sunrise Energy project.
In the hearing of January 14, 2016, Saipem Canada Inc requested that the pending proceedings be heard jointly before the Queen's Bench Court of Alberta and that arbitration be suspended in order to include the relative claims in the proceedings to be heard jointly.
The Court adjourned the case to May 2016.

Dispute with GLNG - Gladstone Project (Australia)
On January 4, 2011, Saipem Australia Pty Ltd ('Saipem') entered into the EPC contract (the 'Contract') relating to the Gladstone LNG project (the 'Project') with GLNG Operations Pty Ltd ('GLNG') in the capacity of agent of Santos GLNG Pty Ltd, PAPL (Downstream) Pty Ltd and Total E&P Australia (jointly, 'Joint Venturers').
In the course of the Project, Saipem accrued and presented to GLNG contractual claims for approximately AU$ 570,668,821 based, among other things, on time extensions, reimbursement of costs connected with delays not attributable to Saipem, variation orders and payment of contractually agreed bonuses not paid by GLNG (the 'Contractual Claim'). However, this claim was entirely rejected by GLNG, which, in support of its refusal, alleged, among other things, that at the time the Contract was entered into, Saipem was not in possession of a licence required by the Australian sector regulations (viz., the Queensland Building and Construction Commission Act 1991) for the execution of part of the work (i.e. the building works) under the Contract.
As a result, Saipem claimed that the fact that the Contract had been entered into in violation of this law rendered it unlawful and hence unenforceable.
On the basis of this position, Saipem requested payment of what it was due on the basis of quantum meruit ('Quantum Meruit Claim'), quantifying the economic benefit of the client (net of what the client had already paid) as AU$ 770,899,601. However, this claim was also rejected by GLNG.
A negotiation phase was thus initiated between the parties based on the related contractually agreed procedure, but this did not lead to a successful outcome.
On October 9, 2015, Saipem served a request for arbitration against GLNG and the Joint Venturers, asking that they be ordered to pay: (i) the Quantum Meruit Claim; or in the alternative, (ii) a fair figure for the Contractual Claim; (iii) in addition to interest and arbitration costs.
In the arbitration process, the defendant GLNG rejected the claims of Saipem and made the following counterclaims: (a) compensation (not yet quantified) for presumed defective works, with particular reference to the coating of the entire line; (b) if the quantum meruit is deemed to be valid, the return of that part of the contractually agreed price that is not part of the quantum meruit claim; (c) compensation (not yet quantified) for breach of general warranties; (d) application of the liquidated damages set at AU$ 18,000,000; (e) compensation for alleged breaches of contract by Saipem set at about AU$ 23,000,000.

Dispute with South Stream Transport BV - South Stream Project
On November 10, 2015, Saipem SpA filed a request for arbitration against South Stream Transport BV with the ICC of Paris. Saipem is claiming about €759.9 million by way of consideration due both for the suspension of work (requested by the customer for the period from December 2014 to May 2015) and for the subsequent termination for convenience of the contract notified on July 8, 2015 by the customer. The request may be supplemented by Saipem by claims for costs incurred directly by the termination for convenience and relating to works that are still in progress or which have not yet been completely calculated. ICC notified South Stream Transport BV of Saipem's request for arbitration on December 15, 2015.
South Stream filed its reply on February 16, 2016, having been granted a 30-day extension within which to reply. In its reply, South Stream BV challenged all of Saipem's claims and reserved the right to make a counterclaim at a subsequent stage of the arbitration process.

Significant tax disputes

Saipem SpA

On February 5, 2015, the Tax Police Unit of Milan initiated a tax audit of Saipem, which led the Guardia di Finanza to serve Saipem with a tax audit report on April 14, 2015, followed by four notices of assessment (Ires 2008, Ires 2009, Irap 2008 and Irap 2009) issued by the Italian Revenue Agency on July 9, 2015, against which Saipem lodged an appeal as reported in the above paragraph 'Algeria'.

Potential significant tax disputes

Saipem SpA

In the framework of the tax audit indicated in the above section 'Algeria', and in relation to the expenses deriving from operations which took place in the course of 2010 with companies resident or located in states or territories with privileged tax regimes, identified in the Ministerial Decree of January 23, 2001 (so-called 'black list costs'), on July 20, 2015, on completion of an audit, the Guardia di Finanza served Saipem with a report in which costs amounting to €235,502,590.30, and purportedly deemed non-deductible in accordance with Article 110, paragraph 10 of the Italian Consolidated Income Tax Act, were reported to the Italian Revenue Agency for the opening of a preliminary investigation.

On July 30, 2015, the Italian Revenue Agency served the Company with a questionnaire related to the costs reported in the tax audit report by the Guardia di Finanza, in accordance with Article 110, paragraph 11 of the Consolidated Income Tax Act. In the 90 days following the notification, Saipem provided the Revenue Office with its reply to the questionnaire together with further documentation furnishing in the Company's view objective proof of at least one of the types of exemption specified in Article 110, paragraph 11 of the Consolidated Income Tax Act. On December 22, 2015, the Lombardy Regional Tax Office notified the Company of its intention to postpone to 2016 the delivery of the notice of assessment for 2010 annuity. The subject of the assessment could thus be both the detection of costs arising from the commission of crime (as described in the preceding 'Algeria' paragraph), and the detection of 'black list' costs. The Tax Office in fact deemed that the deadline applied, insisting on the 2010 annuity (double that of the ordinary deadline of 4 years) specified by Article 43, sub-section 3 of Presidential Decree No. 600/1973 for tax disputes that have to be reported to the criminal judicial authority.

Saipem Drilling Norway AS

On December 18, 2014, following an audit conducted by the Norwegian Revenue Agency between January and May 2014 regarding the fiscal years 2012 and 2013, the company was served with a report containing the preliminary findings of the inspection. The report does not constitute a tax assessment and therefore does not represent a request for payment. The agency contested the value assigned to the rig Scarabeo 8 when it was transferred from Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda to Saipem Drilling Norway AS in July 2012, deeming it higher than its market value, and proposed taxing the extra depreciation charges deducted in the years under consideration, which amount to NOK 630 million (€65 million). The report also proposed a discretionary increase by the office of the taxable income for the year 2012 for NOK 1.2 billion (€125 million), corresponding to the presumed negative value of the leasing contract of Scarabeo 8. On April 30, 2015, Saipem Drilling Norway AS filed its response to the findings contained in the report. Objecting to the conclusions of the authority, it attached a report prepared by a leading Norwegian Oil & Gas sector analyst, which provides an extensive description of the Norwegian domestic offshore drilling market and its prospects at the moment the rig was purchased by Saipem Drilling Norway AS. The report concluded with an estimate of the then market value of the rig that was substantially in line with the price at which the rig was transferred between the two Saipem Group companies.

Following the issue of the report on December 18, 2014, the statute of limitations on the tax periods under examination were suspended. The preliminary investigation will therefore take place without definite time limits, with Saipem Drilling Norway AS being invited to a further examination and the issuing of the definitive tax assessment. Should a definitive tax assessment confirm fully or partially the request contained in the report, Saipem Drilling Norway AS intends to file an appeal. However, the appeal will not suspend the immediate effect of the judgement, and the company is thus obliged to pay the amount demanded, plus interest and potential sanctions, to be calculated as a minimum of 30% to a maximum of 60% of the amount itself.

Revenues

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

33 Net sales from operations

Net sales from operations were as follows:

(€ million)	2014	2015
Net sales from operations	12,748	11,698
Change in contract work-in-progress	125	(191)
Total	**12,873**	**11,507**

Net sales by geographical area were as follows:

(€ million)	2014	2015
Italy	604	411
Rest of Europe	1,105	1,016
CIS	1,187	2,047
Middle East	2,303	2,218
Far East	1,078	1,015
North Africa	589	229
West Africa and Rest of Africa	2,815	2,833
Americas	3,192	1,738
Total	**12,873**	**11,507**

Information required by IAS 11 is provided by business sector in Note 44 'Segment information, geographical information and construction contracts'.
Contract revenues include the amount agreed in the initial contract, plus revenues from change orders and claims. Change orders are changes to the contracted scope of work requested by the client, while claims are requests for the reimbursement of costs not included in the contract price. Change orders and claims are included in revenues when: (a) contract negotiations with the client are at an advanced stage and approval is probable; (b) their amount can be reliably estimated.
The cumulative amount of additional payments for change orders and claims, including amounts pertaining to previous years, based on project progress at December 31, 2015, totalled €916 million, of which 55% concern contracts undergoing legal proceedings, down €126 million compared with December 31, 2014. For projects where additional payments exceed €50 million, estimates are supported by a technical/legal opinion provided by third party consultants.
Revenues from related parties are shown in Note 45 'Transactions with related parties'.

34 Other income and revenues

Other income and revenues were as follows:

(€ million)	2014	2015
Gains on disposal of assets	1	4
Indemnities	1	1
Other income	13	8
Total	**15**	**13**

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'.

35 Purchases, services and other costs

Purchases, services and other costs included the following:

(€ million)	2014	2015
Production costs - raw, ancillary and consumable materials and goods	2,678	2,378
Production costs - services	5,092	4,705
Operating leases and other	1,432	1,326
Net provisions for contingencies	20	19
Other expenses	60	340
less:		
- capitalised direct costs associated with self-constructed tangible assets	(15)	(30)
- changes in inventories of raw, ancillary and consumable materials and goods	(5)	51
Total	**9,262**	**8,789**

Costs for services included agency fees of €2 million (€4 million at December 31, 2014).
Costs incurred in connection with research and development activities that do not meet the requirements for capitalisation amounted to €14 million (€11 million at December 31, 2014).

'Operating leases and other' included operating lease payments of €1,303 million (€1,411 million in 2014).
Future minimum lease payments expected to be paid under non-cancellable operating leases amounted to €623 million (€624 million in 2014), of which €108 million was due within one year, €319 million between 2-5 years and €196 million due after 5 years.
Net provisions for contingencies are detailed in Note 20 'Provisions for contingencies'.
The other expenses comprise net provisions for impairment losses, which are mainly due to the more prudent collection assumptions for Venezuela and projects with more uncertain collection time frames.
Purchase services and other costs to related parties are shown in Note 45 'Transactions with related parties'.

36 Payroll and related costs

Payroll and related costs were as follows:

(€ million)	2014	2015
Wages and salaries	2,055	1,866
Social security contributions	264	257
Contributions to defined benefit plans	31	20
Accrual to provision for employee termination indemnities recognised as a contra-entry to pension plans or Inps fund	25	25
Other costs	50	65
less:		
- capitalised direct costs associated with self-constructed tangible assets	(17)	(11)
Total	**2,408**	**2,222**

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

Stock-based compensation plans for Saipem senior managers

Saipem discontinued its managerial incentive programme involving the assignment of stock options to senior managers of Saipem SpA and its subsidiaries in 2009.
At December 31, 2015, there was no longer any plan because the 2008 stock option plan approved by the Shareholders' Meeting of Saipem SpA on April 28, 2008 terminated in July 2015 as the deadline had lapsed for exercising the stock option on Saipem shares. The stock option rights existing at January 1, 2015 were not exercised and have accordingly lapsed.
From 2010 on stock options have been replaced by a long-term system of monetary incentives.
In 2014 and 2015 the stock option plans developed as follows.

	2014			2015		
	Number of shares	Average strike price (€)	Strike market price [a] (€ thousand)	Number of shares	Average strike price (€)	Strike market price [a] (€ thousand)
Options as of January 1	**259,500**	**25.979**	**4,038**	**61,350**	**25.872**	**538**
New options granted	-	-	-	-	-	-
(Options exercised during the nine-month period)	-	-	-	-	-	-
(Options expiring during the nine-month period)	(198,150)	-	3,547	(61,350)	-	483
Options outstanding as of December 31	**61,350**	**25.872**	**538**	**-**	**-**	**-**
Of which exercisable at December 31	**61,350**	**25.872**	**538**	**-**	**-**	**-**

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

Thus at December 31, 2015 there were no options to purchase Saipem shares, as summarised in the following table:

Year [1]	No. of managers	Price over year [2]	No. of shares
Options granted			
2002	213	6.187	2,105,544
2003	58	6.821	1,283,500
2004	58	7.594	1,166,000
2005	56	11.881	980,500
2006	91	17.519	1,965,000
2007	91	26.521	1,332,500
2008	93	25.872	1,339,000
			10,172,044
Options exercised			
2002			(1,847,097)
2003			(1,205,500)
2004			(1,145,500)
2005			(947,500)
2006			(1,381,915)
2007			(883,650)
2008			(850,550)
			(8,261,712)
Options expired			
2002			(258,447)
2003			(78,000)
2004			(20,500)
2005			(33,000)
2006			(583,085)
2007			(448,850)
2008			(488,450)
			(1,910,332)
Options outstanding			
2002			-
2003			-
2004			-
2005			-
2006			-
2007			-
2008			-
			-

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

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, 2007 and 2008 stock option rights was calculated based on the trinomial trees method, which considers the stock as American-type call options with dividend entitlement.
The following assumptions were made for the 2008 plan:
- for assignees resident in Italy:

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

- for assignees resident in France:

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

Compensation of key management personnel

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

(€ million)	2014	2015
Wages and salaries	4	5
Employee termination indemnities	-	-
Other long-term benefits	1	1
Stock options	-	-
Total	**5**	**6**

Compensation of Statutory Auditors

Remuneration of Statutory Auditors amounted to €170 thousand in 2015.

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, 2014	Dec. 31, 2015
Senior managers	412	408
Junior managers	4,756	4,836
White collars	21,855	21,344
Blue collars	21,611	18,915
Seamen	333	325
Total	**48,967**	**45,828**

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

37 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment amounted to €960 million (€1,157 million in 2014) and are detailed below:

(€ million)	2014	2015
Depreciation and amortisation:		
- tangible assets	725	730
- intangible assets	12	11
Total depreciation and amortisation	**737**	**741**
Impairment:		
- tangible assets	420	219
- intangible assets	-	-
Total impairment	**420**	**219**
Total	**1,157**	**960**

The impairment over the period refers mainly to operations totalling €198 million on four vessels and parts that will not be used in future activities of two fabrication yards, as indicated in Note 8 'Property, plant and equipment'. For further details, see also the 'Financial and economic results' section of the 'Directors' Report'.

38 Other operating income (expense)

The income statement effects of the change in fair value of derivatives that do not meet the formal requirements to qualify as hedging instruments under IFRS are recognised in 'Other operating income (expense)'. At December 31, 2015, these amounted to expenses of €1 million (expenses of €6 million at December 31, 2014).

39 Finance income (expense)

Finance income (expense) was as follows:

(€ million)	2014	2015
Finance income (expense)		
Finance income	759	1,053
Finance expense	(788)	(1,206)
Total	**(29)**	**(153)**
Derivative financial instruments	(170)	(91)
Total	**(199)**	**(244)**

Net finance income and expense was as follows:

(€ million)	2014	2015
Exchange gains (losses)	**165**	**45**
Exchange gains	747	1,042
Exchange losses	(582)	(997)
Finance income (expense) related to net borrowings	**(188)**	**(195)**
Interest and other income from Group financial companies	-	-
Interest from banks and other financial institutions	11	8
Interest and other expense due to Group financial companies	(148)	(171)
Interest and other expense due to banks and other financial institutions	(51)	(32)
Other finance income (expense)	**(6)**	**(3)**
Other finance income from third parties	1	3
Other finance expense	(1)	(1)
Finance income (expense) on defined benefit plans	(6)	(5)
Total finance income (expense)	**(29)**	**(153)**

Gains (losses) on derivatives consisted of the following:

(€ million)	2014	2015
Exchange rate derivatives	(170)	(91)
Total	**(170)**	**(91)**

Net expenses from derivatives of €91 million (expenses of €170 million in 2014) mainly related to the recognition in income of the change in fair value of derivatives that do not qualify for hedge accounting under IFRS and the recognition of the forward component of derivatives that qualify for hedge accounting.

40 Income (expense) from investments

Effect of accounting using the equity method

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

(€ million)	2014	2015
Share of profit of investments accounted for using the equity method	27	18
Share of loss of investments accounted for using the equity method	(3)	(9)
Net additions to (deductions from) the provisions for losses related to investments accounted for using the equity method	(4)	7
Total	**20**	**16**

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

Other income (expense) from investments

A gain of €18 million was registered during the period (€4 million at December 31, 2014) mainly in relation to the sale of the Venezuelan companies Fertilizantes Nitrogenados de Oriente CEC and Fertilizantes Nitrogenados de Oriente SA (classified as held for sale at December 31, 2014).

41 Income taxes

(€ million)	2014	2015
Current taxes:		
- Italian subsidiaries	36	10
- foreign subsidiaries	193	330
Net deferred taxes:		
- Italian subsidiaries	(30)	(161)
- foreign subsidiaries	(81)	(52)
Total	**118**	**127**

Current taxes amounted to €340 million and related to Italian corporate income tax (Ires) of €7 million, relating mainly to tax credits, Italian regional production tax (Irap) charges of €3 million and other charges of €330 million.
The difference between statutory taxes, calculated by applying a 27.5% tax rate (Ires) to profit before income taxes and a 3.9% tax rate (Irap) to the net value of production of Italian Saipem Group companies, as provided for by Italian laws, and effective taxes for the years ended December 31, 2014 and 2015 were due to the following factors:

(€ million)	2014	2015
Result before income taxes	**(120)**	**(662)**
Statutory tax rate	**(2)**	**(160)**
Items increasing (decreasing) statutory tax rate:		
- lower foreign subsidiaries tax rate	(2)	(134)
- permanent differences and other factors	77	154
- additions to (deductions from) tax provision	(9)	(3)
- unrecognised deferred tax assets	54	270
Total changes	**120**	**287**
Effective tax rate	**118**	**127**

(€ million)	2014	2015
Income taxes recognised in consolidated income statement	118	127
Income tax related to items of other comprehensive income that may be reclassified to profit or loss	116	8
Income tax related to items of other comprehensive income that will not be reclassified to profit or loss	4	(2)
Tax on total comprehensive income	**238**	**133**

42 Non-controlling interests

Profit attributable to non-controlling interests amounted to €17 million (losses for €8 million in 2014).

43 Earnings (loss) per share

Basic earnings per ordinary share are calculated by dividing net profit (loss) for the year attributable to Saipem's shareholders by the weighted average of ordinary shares issued and outstanding during the year, excluding treasury shares.

The number of shares outstanding adjusted for the calculation of the basic earnings per share was 439,361,742 and 439,359,038 in 2015 and 2014, respectively.

Diluted earnings per share are calculated by dividing net profit (loss) for the year attributable to Saipem's shareholders by the weighted average of fully-diluted shares issued and outstanding during the year, with the exception of treasury shares and including the number of shares that could potentially be issued. At December 31, 2015, 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 2014 and 2015 was 439,529,714 and 439,471,068, respectively. Reconciliation of the average number of shares used for the calculation of basic and diluted earnings per share is as follows:

		Dec. 31, 2014	Dec. 31, 2015
Average number of shares used for the calculation of the basic earnings per share		**439,359,038**	**439,361,742**
Number of potential shares following stock option plans		61,350	-
Number of savings shares convertible into ordinary shares		109,326	109,326
Average number of shares used for the calculation of the diluted earnings per share		**439,529,714**	**439,471,068**
Saipem's net profit (loss)	(€ million)	(230)	(806)
Basic earnings (loss) per share	(€ per share)	(0.52)	(1.83)
Diluted earnings (loss) per share	(€ per share)	(0.52)	(1.83)

44 Segment information, geographical information and construction contracts

Segment information

(€ million)	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Unallocated	Total
December 31, 2014						
Net sales from operations	9,291	4,698	1,612	901	-	16,502
less: intra-group sales	2,089	933	420	187	-	3,629
Net sales to customers	**7,202**	**3,765**	**1,192**	**714**	**-**	**12,873**
Operating result	275	(411)	100	91	-	55
Depreciation, amortisation and impairment	457	38	512	150	-	1,157
Net income from investments	26	(3)	-	1	-	24
Capital expenditure	260	55	180	199	-	694
Tangible and intangible assets	3,666	590	3,034	1,071	-	8,361
Investments	106	2	-	4	-	112
Current assets	2,727	2,399	610	599	2,296	8,631
Current liabilities	3,791	2,217	306	189	3,102	9,605
Provisions for contingencies	48	108	1	4	49	210
December 31, 2015						
Net sales from operations	9,277	3,288	1,488	959	-	15,012
less: intra-group sales	2,387	500	421	197	-	3,505
Net sales to customers	**6,890**	**2,788**	**1,067**	**762**	**-**	**11,507**
Operating result	54	(742)	284	(48)	-	(452)
Depreciation, amortisation and impairment	435	88	252	185	-	960
Net income from investments	1	32	-	1	-	34
Capital expenditure	168	36	247	110	-	561
Tangible and intangible assets	3,392	536	3,050	1,067	-	8,045
Investments	111	17	-	6	-	134
Current assets	2,414	2,291	554	534	1,771	7,564
Current liabilities	2,907	2,049	283	149	4,070	9,458
Provisions for contingencies	52	122	2	3	58	237

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 33 'Net sales from operations'.

(€ million)	Italy	Rest of Europe	CIS	Rest of Asia	North Africa	West Africa	Americas	Unallocated	Total
2014									
Capital expenditure	27	9	26	154	2	14	126	336	694
Tangible and intangible assets	113	35	303	884	3	294	986	5,743	8,361
Identifiable assets (current)	402	1,491	667	1,856	415	1,113	1,719	968	8,631
2015									
Capital expenditure	17	6	26	92	-	2	52	366	561
Tangible and intangible assets	108	24	290	954	1	140	740	5,788	8,045
Identifiable assets (current)	261	991	876	1,604	242	1,180	1,320	1,090	7,564

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)	2014	2015
Construction contracts - assets	1,955	1,789
Construction contracts - liabilities	(1,416)	(1,641)
Construction contracts - net	**539**	**148**
Costs and margins (completion percentage)	13,377	12,058
Progress billings	(12,819)	(11,886)
Change in provision for future losses	(19)	(24)
Construction contracts - net	**539**	**148**

45 Transactions with related parties

Saipem SpA was a subsidiary of Eni SpA until January 22, 2016. 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, and entering into derivative contracts with joint ventures, associates and unconsolidated subsidiaries, with subsidiaries, jointly-controlled entities and associates of Eni SpA, and with a number of entities owned or controlled by the State. These transactions are an integral part of the ordinary course of its business and are carried out on an arm's length basis, i.e. at conditions which would be applied between willing and independent parties. All transactions were carried out for the mutual benefit of the Saipem companies involved. Pursuant to disclosure requirements of Consob Regulation No. 17221 of March 12, 2010, the following transactions with related parties were carried out in 2015:

- on January 8, 2015, Saipem Drilling Norway AS, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a 3-year long-term revolving loan agreement for €300 million, carrying a variable rate of interest plus a spread of 250 basis points;
- on March 11, 2015, Saipem Canada Inc, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a one-year loan agreement for 625 million Canadian dollars carrying a variable rate of interest based on Libor plus a spread of 150 basis points;
- on March 17, 2015, Saimexicana SA de Cv, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a one-year loan agreement for 200 million US dollars carrying a variable rate of interest based on Libor plus a spread of 150 basis points;
- on March 23, 2015, Sofresid SA, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a one-year loan agreement for €300 million carrying a variable rate of interest based on Libor plus a spread of 150 basis points;
- on June 29, 2015, Snamprogetti Saudi Arabia Ltd, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, two loan agreements: the first is a two-year loan agreement for 290 million US dollars carrying a variable rate of interest based on Libor plus a

spread of 250 basis points, while the second is a one-year loan agreement for 280 million US dollars carrying a variable rate of interest based on Libor plus a spread of 150 basis points;

- on July 6, 2015, Saipem Australia Pty Ltd, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a one-year loan agreement for 405 million Australian dollars carrying a variable rate of interest based on Libor plus a spread of 150 basis points;
- on July 22, 2015, Saudi Arabian Saipem Ltd, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a one-year loan agreement for 210 million US dollars carrying a variable rate of interest based on Libor plus a spread of 150 basis points;
- on July 31, 2015, Petrex SA, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, two loan agreements: the first is a one-year loan agreement for 300 million US dollars carrying a variable rate of interest based on Libor plus a spread of 150 basis points, while the second is a one-year loan agreement for 130 million US dollars carrying a variable rate of interest based on Libor plus a spread of 150 basis points;
- on November 10, 2015, Saimexicana SA de Cv, an indirect subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a one-year loan agreement for 200 million US dollars carrying a variable rate of interest based on Libor plus a spread of 225 basis points;
- on December 7, 2015, Saipem Offshore Norway AS, a subsidiary of Saipem SpA, signed with Eni Finance International SA, a subsidiary of Eni SpA, a one-year loan agreement for €650 million, carrying a variable rate of interest plus a spread of 225 basis points. The transaction is required to refinance a line of credit of €760 million due to expire with the same counterparty;
- on December 9, 2015, the customer Eni SpA and Saipem SpA signed the revised contract 'Drilling operations in ultra deep water by Drillship unit Saipem 10000' that had been originally signed by the two companies on July 19, 2000 and related to drilling operations in ultra deep water by the drillship unit 'Saipem 10000'. The revision involved amending certain contractual conditions and extending the use of the drillship for a year longer than originally intended (from December 31, 2019 to December 30, 2020) and applying new rates for the use of the drillship until the end of the contract. On the basis of these new conditions, the expected value of the contract is about 940 million US dollars, an increase of about 25 million US dollars over the previously expected value;
- the transaction with Vodafone Omnitel BV which, pursuant to the provisions of Consob's Regulation concerning transactions with related parties of March 12, 2010 and Saipem's internal procedure 'Interests held by Board Directors and Statutory Auditors and transactions with related parties', is related to Eni SpA through a member of the Board of Directors. The transaction in question was carried out on an arm's length basis and essentially related to costs for mobile communication services amounting to €3 million.

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

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

Trade and other transactions

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

(€ million)

	Dec. 31, 2014			2014			
				Expenses		Revenues	
Name	Trade and other receivables	Trade and other payables	Guarantees	Goods	Services (1)	Goods and services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	2	-	-	2	-	-
Total unconsolidated subsidiaries	**-**	**2**	**-**	**-**	**2**	**-**	**-**
Associates and jointly-controlled companies							
ASG Scarl	-	6	-	-	4	-	-
CEPAV (Consorzio Eni per l'Alta Velocità) Due	114	152	150	-	159	216	-
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	21	12	278	-	3	14	-
Charville - Consultores e Servicos, Lda	-	-	-	-	-	1	-
Consorzio F,S,B,	-	-	-	-	1	-	-
CSFLNG Netherlands BV	-	1	-	-	-	12	-
Fertilizantes Nitrogenados de Venezuela CEC	-	-	-	-	-	1	-
KWANDA Suporte Logistico Lda	68	15	-	-	10	9	-
Petromar Lda	90	4	39	-	2	61	-
PLNG 9 Snc di Chiyoda Corp e Servizi Energia Italia SpA	1	-	-	-	-	-	-
Saidel Ltd	-	-	-	-	1	-	-
Saipar Drilling Co BV	-	-	-	-	-	1	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	14	16	-	-	44	8	-
Société pour la Réalisation du Port de Tanger Méditerranée	1	-	-	-	-	-	-
Southern Gas Constructors Ltd	1	-	-	-	-	-	-
TMBYS SAS	2	1	-	-	-	8	-
Others (for transactions not exceeding €500 thousand)	1	2	-	-	-	1	-
Total associates and jointly-controlled companies	**313**	**209**	**467**	**-**	**224**	**332**	**-**
Eni consolidated subsidiaries							
Eni SpA	5	11	4,742	-	18	1	-
Eni SpA Divisione Downstream Gas	-	-	-	-	2	-	-
Eni SpA Exploration & Production Division	87	7	-	-	2	195	-
Eni SpA Gas & Power Division	1	1	-	-	1	-	-
Eni SpA Refining & Marketing Division	18	1	-	7	1	27	-
Agip Energy & Natural Resources (Nigeria) Ltd	2	-	-	-	-	-	-
Agip Karachaganak BV	1	-	-	-	-	1	-
Agip Oil Ecuador BV	2	-	-	-	-	5	-
Banque Eni SA	-	-	-	-	1	-	-
Eni Adfin SpA	-	3	-	-	4	-	-
Eni Angola SpA	55	-	-	-	-	138	-
Eni Congo SA	150	21	-	-	-	378	-
Eni Corporate University SpA	-	3	-	-	7	1	-
Eni Cyprus Ltd	27	-	-	-	-	56	-
Eni East Sepinggan Ltd	1	-	-	-	-	22	-
Eni Finance International SA	-	1	-	-	-	-	-
Eni Insurance Ltd	-	5	-	-	2	1	-
Eni Lasmo PLC	2	-	-	-	-	9	-
Eni Mediterranea Idrocarburi SpA	-	-	-	-	-	2	-
Eni Muara Bakau BV	35	25	-	-	-	89	-
Eni Norge AS	46	-	-	-	-	165	-
EniPower SpA	2	-	-	-	-	2	-
EniServizi SpA	1	17	-	-	49	1	-
Eni Trading & Shipping SpA	-	-	-	-	(2)	-	-
Eni Turkmenistan Ltd	2	-	-	-	-	10	-
Floaters SpA	1	-	-	-	-	4	-
Hindustan Oil Exploration Co Ltd	1	-	-	-	-	-	-

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

(€ million)

	Dec. 31, 2014			2014			
				Expenses		Revenues	
Name	Trade and other receivables	Trade and other payables	Guarantees	Goods	Services (1)	Goods and services	Other
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	-	-
Nigerian Agip Exploration Ltd	1	-	-	-	-	11	-
Raffineria di Gela SpA	-	-	-	-	-	3	-
Serfactoring SpA	3	13	-	-	2	-	-
Società Adriatica Idrocarburi SpA	-	-	-	-	-	1	-
Syndial SpA	9	-	-	-	-	15	-
Versalis France SAS	-	-	-	-	-	1	-
Versalis SpA	13	-	-	-	-	69	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	-	-	-
Total Eni consolidated subsidiaries	**470**	**108**	**4,742**	**7**	**87**	**1,207**	**-**
Unconsolidated Eni subsidiaries							
Agip Kazakhstan North Caspian Operating Co NV	-	-	-	-	-	155	-
Total Eni subsidiaries	**470**	**108**	**4,742**	**7**	**87**	**1,362**	**-**
Eni associates and jointly-controlled companies							
Blue Stream Pipeline Co BV	-	-	-	-	-	1	-
Eni East Africa SpA	7	3	-	2	-	82	-
Greenstream BV	1	-	-	-	-	2	-
Mellitah Oil&Gas BV	10	-	-	-	-	(1)	-
Petrobel Belayim Petroleum Co	23	-	-	-	-	83	-
Raffineria di Milazzo	6	-	-	-	-	6	-
South Stream Transport BV	-	-	-	-	-	495	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	-	1	-
Total Eni associates and jointly-controlled companies	**48**	**3**	**-**	**2**	**-**	**669**	**-**
Total Eni companies	**518**	**111**	**4,742**	**9**	**87**	**2,031**	**-**
Companies controlled or owned by the State	**16**	**60**	**-**	**-**	**13**	**43**	**-**
Pension funds: FOPDIRE	**-**	**-**	**-**	**-**	**1**	**-**	**-**
Total transactions with related parties	**847**	**382**	**5,209**	**9**	**327**	**2,406**	**-**
Overall total	**3,391**	**5,669**	**8,169**	**2,678**	**6,584**	**12,873**	**15**
Incidence (%)	**25.60** (2)	**6.74**	**63.77**	**0.34**	**4.95** (3)	**18.69**	**-**

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

Trade transactions as at and for the year ended December 31, 2015 were as follows:

(€ million)

	Dec. 31, 2015			2015			
				Expenses		Revenues	
Name	Trade and other receivables	Trade and other payables	Guarantees	Goods	Services (1)	Goods and services	Other
Unconsolidated subsidiaries							
SAGIO - Companhia Angolana de Gestão de Instalaçao Offshore Lda	-	1	-	-	2	-	-
Total unconsolidated subsidiaries	**-**	**1**	**-**	**-**	**2**	**-**	**-**
Associates and jointly-controlled companies							
ASG Scarl	-	9	-	-	3	-	-
CEPAV (Consorzio Eni per l'Alta Velocità) Due	60	99	218	-	101	145	-
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	7	3	122	-	3	1	-
Charville - Consultores e Servicos, Lda	1	-	-	-	-	1	-
Consorzio F,S,B,	-	-	-	-	1	-	-
CSFLNG Netherlands BV	1	6	-	-	-	26	-
Gruppo Rosetti Marino SpA	-	4	-	10	-	-	-
KWANDA Suporte Logistico Lda	69	10	-	-	5	8	-

Trade and other transactions as at and for the year ended December 31, 2015 (continued)

(€ million)

	Dec. 31, 2015			2015			
				Expenses		Revenues	
Name	Trade and other receivables	Trade and other payables	Guarantees	Goods	Services [1]	Goods and services	Other
Petromar Lda	97	16	18	-	16	45	-
Saipar Drilling Co BV	-	-	-	-	-	1	-
Saipem Dangote E&C Ltd	-	1	-	-	-	-	-
Saipem Taqa Al Rushaid Fabricators Co Ltd	4	5	-	-	50	(8)	-
Société pour la Réalisation du Port de Tanger Méditerranée	1	-	-	-	-	-	-
Southern Gas Constructors Ltd	1	-	-	-	-	-	-
TSGI Mühendislik İnșaat Ltd Șirketi	2	-	-	-	-	1	-
Xodus Subsea Ltd	2	1	-	-	1	-	-
Others (for transactions not exceeding €500 thousand)	1	1	-	-	-	1	-
Total associates and jointly-controlled companies	**246**	**155**	**358**	**10**	**180**	**221**	**-**
Eni consolidated subsidiaries							
Eni SpA	7	12	3,071	-	17	4	-
Eni SpA Divisione Downstream Gas	-	-	-	-	1	-	-
Eni SpA Exploration & Production Division	65	3	-	-	(2)	90	-
Eni SpA Gas & Power Division	1	1	-	-	1	-	-
Eni SpA Refining & Marketing Division	22	2	-	6	-	28	-
Agip Karachaganak BV	-	-	-	-	-	1	-
Agip Oil Ecuador BV	-	1	-	-	-	3	-
Banque Eni SA	-	-	-	-	2	-	-
Eni Adfin SpA	-	-	-	-	4	-	-
Eni Angola SpA	53	-	-	-	-	211	-
Eni Canada Holding Ltd	-	-	-	-	-	75	-
Eni Congo SA	83	5	-	-	-	297	-
Eni Corporate University SpA	-	1	-	-	4	-	-
Eni Cyprus Ltd	23	-	-	-	-	68	-
Eni Insurance Ltd	-	6	-	-	6	-	-
Eni Lasmo PLC	26	-	-	-	-	25	-
Eni Mediterranea Idrocarburi SpA	-	-	-	-	-	1	-
Eni Muara Bakau BV	56	17	-	-	-	254	-
Eni Norge AS	50	-	-	-	-	166	-
Eni North Africa BV	1	-	-	-	-	1	-
EniPower SpA	-	-	-	-	-	1	-
EniServizi SpA	-	8	-	-	53	1	-
Eni Trading & Shipping SpA	-	-	-	-	6	-	-
Eni Turkmenistan Ltd	4	-	-	-	-	8	-
Floaters SpA	-	-	-	-	-	2	-
Hindustan Oil Exploration Co Ltd	1	-	-	-	-	-	-
Naoc - Nigerian Agip Oil Co Ltd	4	-	-	-	-	-	-
Raffineria di Gela SpA	1	-	-	-	-	4	-
Serfactoring SpA	4	17	-	-	2	-	-
Syndial SpA	1	1	-	-	1	4	-
Tecnomare SpA	-	-	-	-	-	1	-
Versalis France SAS	-	-	-	-	-	1	-
Versalis SpA	30	-	-	-	-	58	-
Others (for transactions not exceeding €500 thousand)	1	-	-	-	-	2	-
Total Eni consolidated subsidiaries	**433**	**74**	**3,071**	**6**	**95**	**1,306**	**-**

Trade and other transactions as at and for the year ended December 31, 2015 (continued)

(€ million)

	Dec. 31, 2015			2015			
				Expenses		Revenues	
Name	Trade and other receivables	Trade and other payables	Guarantees	Goods	Services [1]	Goods and services	Other
Total Eni consolidated subsidiaries	**433**	**74**	**3,071**	**6**	**95**	**1,306**	**-**
Unconsolidated Eni subsidiaries **-**	**-**	**-**	**-**	**-**	**-**	**-**	
Eni associates and jointly-controlled companies							
Blue Stream Pipeline Co BV	-	-	-	-	-	1	-
Eni East Africa SpA	1	-	-	-	-	42	-
Greenstream BV	1	-	-	-	-	2	-
Mellitah Oil & Gas BV	9	-	-	-	7	-	-
Petrobel Belayim Petroleum Co	19	-	-	-	-	86	-
Raffineria di Milazzo	3	-	-	-	-	5	-
Others (for transactions not exceeding €500 thousand)	2	-	-	-	-	-	-
Total Eni associates and jointly-controlled companies	**35**	**-**	**-**	**-**	**7**	**136**	**-**
Total Eni companies	**468**	**74**	**3,071**	**6**	**102**	**1,442**	**-**
Companies controlled or owned by the State	**25**	**51**	**-**	**-**	**4**	**36**	**-**
Pension funds: FOPDIRE	**-**	**-**	**-**	**-**	**1**	**-**	**-**
Total transactions with related parties	**739**	**281**	**3,429**	**16**	**289**	**1,699**	**-**
Overall total	**3,348**	**5,186**	**7,038**	**2,378**	**6,371**	**11,507**	**13**
Incidence (%)	**22.22** [2]	**5.42**	**48.72**	**0.67**	**4.52** [3]	**14.76**	**-**

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

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

Other transactions consisted of the following:

	Dec. 31, 2014		Dec. 31, 2015	
(€ million)	Other assets	Other liabilities	Other assets	Other liabilities
Eni SpA	356	805	87	152
Banque Eni SA	3	18	1	3
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	3	-	3	-
Eni Trading & Shipping SpA	-	5	-	-
Total transactions with related parties	**362**	**828**	**91**	**155**
Overall total	**635**	**840**	**323**	**244**
Incidence (%)	**57.01**	**98.57**	**28.17**	**63.52**

Financial transactions

Financial transactions as of and for the year ended December 31, 2014 consisted of the following:

(€ million)

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

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

Financial transactions as of and for the year ended December 31, 2015 consisted of the following:

(€ million)

	Dec. 31, 2015				2015		
Name	Cash and cash equivalents	Receivables [1]	Payables [2]	Commitments	Expenses	Income	Derivative financial instruments
Eni SpA	24	-	2,491	11,428	(89)	-	(93)
Banque Eni SA	27	-	-	183	-	-	8
Eni Finance International SA	126	-	3,473	-	(79)	-	-
Eni Finance USA Inc	-	-	25	-	-	-	-
Eni Trading & Shipping SpA	-	-	-	-	(1)	-	-
Serfactoring SpA	-	-	6	-	(3)	-	-
TMBYS SAS	-	5	-	-	-	-	-
Total transactions with related parties	**177**	**5**	**5,995**	**11,611**	**(172)**	**-**	**(85)**

(1) Shown on the balance sheet under 'Trade and other receivables' (€5 million).
(2) Shown on the balance sheet under 'Short-term debt' (€2,781 million); 'Long-term debt' (€2,571 million) and 'Current portion of long-term debt' (€643 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, 2014			Dec. 31, 2015		
€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Short-term debt	2,186	1,873	85.68	3,016	2,781	92.21
Long-term debt (including current portion)	3,908	3,658	93.60	3,497	3,214	91.91
Total	**6,094**	**5,531**		**6,513**	**5,995**	

	2014			2015		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Finance income	759	-	-	1,053	-	-
Finance expense	(788)	(148)	18.78	(1,206)	(171)	14.18
Derivative financial instruments	(170)	(167)	98.24	(91)	(85)	93.41
Other operating income (expense)	(6)	(6)	100.00	(1)	(1)	100.00
Total	**(205)**	**(321)**		**(245)**	**(257)**	

The main cash flows with related parties were as follows:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Revenues and other income	2,406	1,699
Costs and other expenses	(336)	(305)
Finance income (expenses) and derivatives	(321)	(257)
Change in trade receivables and payables	(44)	7
Net cash provided by operating activities	**1,705**	**1,144**
Change in financial receivables	(21)	16
Disposals of consolidated subsidiaries and businesses (1)	-	46
Net cash flow from investments	**(21)**	**62**
Change in financial payables	(183)	464
Net cash from financing activities	**(183)**	**464**
Total cash flows with related parties	**1,501**	**1,670**

(1) Further details can be found in Note 31 'Additional information'.

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, 2014			Dec. 31, 2015		
(€ million)	Total	Related parties	Incidence %	Total	Related parties	Incidence %
Cash provided by operating activities	1,198	1,705	142.32	(507)	1,144	(225.64)
Cash used in investing activities	(698)	(21)	3.01	(395)	62	(15.70)
Cash flow from financing activities (*)	(170)	(183)	107.65	370	464	125.41

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

Information on jointly-controlled entities

The table below contains information regarding jointly-controlled entities consolidated using the working interest method as at December 31, 2015:

(€ million)	Dec. 31, 2014	Dec. 31, 2015
Net capital employed	(55)	(42)
Total liabilitiesTotal assets	95	80
Total current assets	93	80
Total non-current assets	2	-
Total liabilities	90	76
Total current liabilities	87	76
Total non-current liabilities	3	-
Total revenues	17	21
Total operating expenses	(10)	(22)
Operating profit	7	(1)
Net profit (loss) for the year	5	1

46 Significant non-recurring events and operations

No significant non-recurring events or operations took place in 2014 or 2015.

47 Transactions deriving from atypical or unusual transactions

In 2014 and 2015, no transactions deriving from atypical and/or unusual transactions were reported.

48 Events subsequent to year-end

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

49 Additional information Algeria

Further to the disclosures provided in the Algeria paragraph of the 'Legal proceedings' section, we note the following additional information with regard to projects under execution in Algeria as at December 31, 2015:

- funds in two current accounts (ref. Note 1) amounting to the equivalent of €82 million are currently temporarily frozen;
- trade receivables (ref. Note 3) totalled €44 million, all past due and not impaired;
- work in progress (ref. Note 4) on projects under execution amounted to €59 million;
- advance payments (ref. Note 15) totalled €49 million;
- provisions for future losses (ref. Note 20) for projects under execution amounted to €1 million;
- guarantees (ref. Note 32) on projects under execution totalled €638 million.

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

1. The undersigned Stefano Cao and Alberto Chiarini in their capacity as CEO and manager responsible for the preparation of financial reports of Saipem SpA, respectively, pursuant to Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No. 58 of February 24, 1998, certify that the internal controls over financial reporting in place for the preparation of the consolidated financial statements at December 31, 2015 and during the period covered by the report, were:

- adequate to the company structure, and
- effectively applied during the process of preparation of the Report.

2. Internal controls over financial reporting in place for the preparation of the consolidated financial statements at December 31, 2015 have been defined and the evaluation of their effectiveness has been assessed based on principles and methodologies adopted by Eni 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 2015 Consolidated Financial Statements:

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

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

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

3.2 the Directors' Report provides a reliable analysis of business trends and results, including a trend analysis of the parent company and the Group companies, as well as a description of the main risks and uncertain situations to which they are exposed.

March 16, 2016

Stefano Cao
Chief Executive Officer

Alberto Chiarini
Chief Financial Officer

Independent Auditors' Report

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH 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.

Report on the consolidated financial statements

We have audited the accompanying financial statements of Saipem Group, which comprise the balance sheet as at December 31, 2015, and the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Saipem S.p.A. are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the [consolidated] financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Saipem Group as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree N. 38/05.

Report on other legal and regulatory requirements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Director's Report and of specific information of the Report on Corporate Governance and Shareholding Structure Report as provided for by art. 123-bis, paragraph 4 of Legislative Decree 58/98, with the consolidated financial statements, as required by the law. The Directors of Saipem S.p.A. are responsible for the preparation of the Director's Report and of the Report on Corporate Governance and Shareholding Structure Report in accordance with the applicable laws and regulations. In our opinion the Director's Report and the specific information of the Report on Corporate Governance and Shareholding Structure Report are consistent with the consolidated financial statements of Saipem Group as at December 31, 2015.

Milan, April 6, 2016

Reconta Ernst & Young S.p.A.

Signed by: Pietro Carena, Partner

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

Sustainability Statements - Sustainability Performance 2015

Sustainability Performance

'Sustainability Performance 2015' illustrates the Company's main results over the year, using indicators and trend analysis. The document is drawn up in accordance with the principles of the 'Sustainability Reporting Guidelines' of the Global Reporting Initiatives (GRI) - version -G4.

'Sustainability Performance 2015' is a supplement to 'Saipem Sustainability 2015', in that it provides a more detailed analysis of the performance, both from a qualitative point of view and from a quantitative one. The document is organised in paragraphs as specified in the Index. The disclosure about the Approach to Sustainability Sustainability (DMA) and the GRI Content Index is provided in Annexes I and II of 'Saipem Sustainability 2015', respectively. Both documents are also available are online in the documents section of the website.

Index

Methodology, criteria and reporting principles

The Group's sustainability indicators and, more in general, its sustainability performance have been included in the Annual Report since 2011. This document is complementary to 'Saipem Sustainability'. The documents deal with themes that are important for Saipem and the stakeholders to whom it is addressed, and describe the measures and initiatives adopted to achieve the targets set. This document and 'Saipem Sustainability' are an integral part of Saipem's sustainability reporting and communication system. This system consists of a series of tools designed to convey information on sustainability performance to all stakeholders in an exhaustive and efficient way. All the documents referred to are available at www.saipem.com.

Communication tools	Financial stakeholders	Clients	Internal stakeholders	Local stakeholders
Saipem Sustainability				
Sustainability Statements				
Country and Project Reports				
Annual Report				
Report on the Company's Governance and shareholding structure and Remuneration Report				
Annual leaflets and newsletters				
Saipem website				

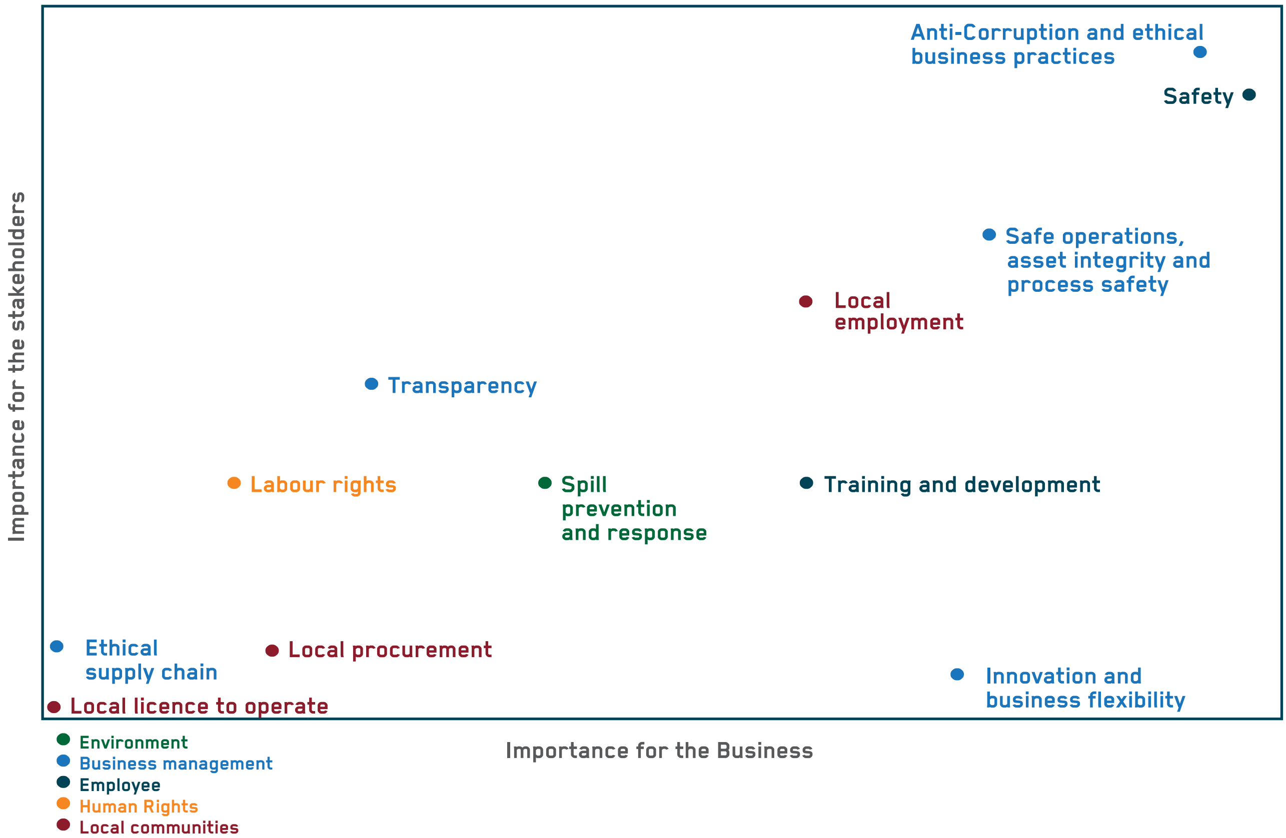
Principles of reporting

This document has been prepared by making reference to principles of balance, comparability, accuracy, timeliness, reliability and clarity (principles to define the quality of reporting), as defined in the Global Reporting Initiative - GRI in the 'G4 Sustainability Reporting Guidelines'. To define the content of the document the principles of materiality, stakeholder inclusiveness, sustainability context and completeness were followed, again as per the GRI guidelines. The performance indicators, chosen on the basis of themes considered to be material, have been gathered on an annual basis; reporting frequency is also annual. The information and quantitative data collection process has been organised in such a way as to guarantee comparability of the data and analysis of the trends in the three-year period, in order to enable correct interpretation of the information and a full overview for all the stakeholders interested in the evolution of Saipem's performance.

Definition of the content

A materiality analysis was carried out again in 2015 in order to define the sustainability themes considered most significant, both within the Company and for stakeholders.
First of all, significant themes were identified and those considered material were then selected. This process is based on sustainability context and the analysis of the stakeholders involved. In order to simplify analysis and comparison of the results, the 31 themes identified were broken down into 5 macro categories. The Company defined the level of external interest through interviews or questionnaires, on a balanced sample of stakeholders, clients, NGOs, representatives of local communities, business partners, business associations, investors, representatives of the authorities and, for the first time, vendors and employees, were involved. The level of internal significance was assessed by a panel of Saipem managers, selected in such a way as to form a balanced representation of the Company's functions and areas of competence. The panel identified the most important sustainability issues, in terms of risks and opportunities, for the long-term success of the Company. The importance of each theme is determined by the nexus of internal and external significance. The final results of the materiality analysis were validated by the Sustainability Committee in December 2015. The upper right quadrant of the following page shows the materiality matrix. This document illustrates the indicators associated with material themes and those associated with themes that are in any case considered important, to ensure coherence with the previous years.
More details are provided in the 'Methodology and Reporting Criteria' section of 'Saipem Sustainability 2015'.

The material themes



Reporting boundary

This document contains information and a description of the performance indicators of Saipem SpA and all of the Group's direct or indirect subsidiaries. In line with the GRI G4 Guidelines, the material themes are associated with the corresponding GRI G4 aspects. Moreover, the boundary within which these themes have an internal or external impact is specified. Eventual limits to the scope are indicated.
Any changes to the internal reporting boundary are described in the methodological note in the Annual Report 2015.

More information about the external reporting scope and any limits is provided in the 'Methodology and Reporting Criteria' section of 'Saipem Sustainability 2015'.

Limited audit

Reporting is subject to limited controls by the same, sole external auditor used for the Annual Report, in which this section is included, and for the document 'Saipem Sustainability 2015'.

Sustainability indicators

This section has been drawn up in accordance with the principles of the GRI G4 standard and is organised in paragraphs, each of which deals with a different theme.

Saipem people

Employment

		2013	2014	2015
Total employees at year end, of which:	(No.)	52,157	54,637	46,346
- Senior Manager	(No.)	431	421	417
- Manager	(No.)	4,954	5,012	4,972
- White Collar	(No.)	22,849	23,907	21,549
- Blue Collar	(No.)	23,923	25,297	19,408
Female employees	(No.)	5,701	5,832	5,257
Employees in non-European countries	(No.)	41,793	43,334	35,793
Employees with full-time contracts	(No.)	51,903	54,350	46,073
Employees with a stable work contract	(No.)	18,662	19,774	17,840
Employees recruited through an agency	(No.)	-	-	4,489
Termination of employment of key resources	(No.)	4,581	4,518	5,533
Voluntary resignation of key resources	(No.)	-	1,570	1,211
Voluntary turnover of key resources	(ratio)	-	8.01	6.38

In 2015, there was a reduction in the work force of 15%, in line with the estimates communicated to the financial community.
This was mainly due to the conclusion of some projects and to the reduction in operations in Canada, Mexico, the United Arab Emirates and South America. The number of female employees decreased by 10% (575), thus less than the reduction in the total work force, while male employees decreased by 7,716 (16%).
Employees who play what is considered a key professional role now account for 38% of the workforce, the same as in 2014. It is noted that a stable employment contract is considered such, irrespective of the country and contractual form, when the resource holds a key role for the business.
The voluntary turnover rate of key resources for the business was 6.38% in 2015, a reduction of 1.63 percentage points compared to 2014. If the company's voluntary turnover rate is taken separately, where the employment trend is less affected by projects (such as Saipem SpA and Saipem SA), the turnover is 4.78%, 1.71 percentage points less than 2014. It is noted that the turnover rate was calculated as a ratio between the number of voluntary annual contract terminations and the average of key resources in the year.
Saipem uses personnel provided by employment agencies in some geographic areas and for some projects; at the end of 2015, 4,489 people were employed in this way.
Saipem provides its employees with a range of benefits and methods for allocating them, bearing in mind local conditions. These include: complementary pension plans, supplementary healthcare funds, mobility support services and policies, welfare initiatives and family support policies, catering (lunch tickets) and training courses aimed at ensuring more effective integration within the social-cultural context in question.
The benefits, where applicable, have been offered to the entirety of the specific target population to date, regardless of contract type (temporary/permanent), except for those specific services that may be incompatible in terms of the timing of the service with the duration of the contract itself.

Development of skills

Saipem bases its business success on a strong technical skills in both its assets and its employees. Continuous training and skills development are key elements in the management and development of people.

		2013	2014	2015
Training				
Total hours of training, of which:	(hours)	2,354,493	2,615,706	1,638,098
- HSE	(hours)	1,508,601	1,445,829	1,209,769
- managerial potential and skills	(hours)	77,017	48,425	36,390
- IT and languages	(hours)	120,841	100,106	54,226
- professional technical skills	(hours)	648,034	1,021,346	337,713
Skills assessment				
Skills assessment, of which:	(No.)	3,118	3,495	4,897
- managerial skills	(No.)	22	32	18
- assessment of potential	(No.)	257	247	7
- technical skills	(No.)	2,640	3,135	4,789
- assessment of potential for experts	(No.)	199	81	83
Performance evaluation				
Evaluation of the performance to which employees are subject, of which:	(No.) (%)	22,411 43	28,787 53	18,446 40
- Senior Managers	(No.)	406	426	398
- Managers	(No.)	1,905	5,359	2,734
- White Collars	(No.)	10,945	15,968	9,406
- Blue Collars	(No.)	9,155	7,034	5,908

In 2015, the total number of hours of training dropped significantly compared to 2014 (-37%). This was due mainly to a reduction in the total work force. This had a significant impact on the number of hours of technical training.
HSE training which, even although dropping in absolute terms by around 16%, in any case remains at a significant level. In 2015, a total of 5.16 hours of HSE training was provided per 1,000 hours worked, while in 2014 this number was 5.44. The coefficient for 2015 was however in line with the trend in recent years (in 2013 the number was 5.06 hours of HSE training per 1,000 hours worked). Of the total 1,209,769 hours of HSE training, 487,844 were provided to subcontractors. Of the remaining 721,925 hours of HSE training aimed at employees, 282,372 regarded specific training related to the professional role held by each employee in the company. On average each employee took part in 25 hours of training (37 in 2014), of which 16 on HSE themes (the same as in 2014).
In 2015, Saipem drew up and disseminated a Responsible Leadership model which is adaptable to all company levels. The model is designed to promote the development of managers who are capable of taking decisions that reconcile the need for integrity with business needs with a view to creating long-term value for the company. The new model has made it necessary to perform an analysis aimed at reviewing the development, training, selection and skills management processes and methodologies in order to consolidate coherence between the Business Strategy and the People Strategy to improve, simplify and make the tools currently used more effective. Considering the transition period, evaluation of potential and managerial skills were limited to cases of promotion and significant organisational repositioning. Potential assessments (including those for experts), were conducted in Angola, Brazil, France, Italy, Luxembourg, the Netherlands, Nigeria, Portugal and the United States.
The number of assessments of technical skills increased in 2015 due to the continuation of the K-Map initiative, part of the wider-ranging K-Factor project; this project has the aim of mapping and monitoring the skills of the resources with special focus on roles considered critical for the business.
The pilot project in 2014 was the forerunner of a wider-ranging mapping and monitoring activity in which an increasing number of roles and resources with an ever greater international dimension were involved. Therefore, during 2015, 133 professional roles were mapped; about 4,600 resources were involved in the Skill Evaluation and CV update process. The information gathered was entered in a summary dashboard able to re-process and represent it in different forms, enabling easy analysis in qualitative and quantitative terms of the skills owned by the people and the type of experience gained in the various projects. The project will continue throughout 2016 and will cover additional 172 professional roles.
More information on the training and development of people can be found in the document 'Saipem Sustainability 2015.'

Industrial Relations

Given the global nature of the environment in which Saipem operates today, which encompasses a wide range of socio-economic, political, industrial and legislative situations and conditions, the management of industrial relations requires maximum care and attention. The Company's industrial relations model has thus for many years now focused on ensuring the harmonisation and optimal management of relations with trade unions, employers' associations, institutions and public bodies in line with Company policies.
Whenever a major organisational change is expected, it is the practice of the Saipem Group to communicate the development to the trade union representative. In Italy, due to a specific provision for collective bargaining, meetings with the unions are regularly convened to enable illustration of/exposure to the change in place.

		2013	2014	2015
Employees covered by collective bargaining	(%)	50	53	59
Strikes hours	(No.)	61,477	54,456	35,018

Of more than 39,200 employees monitored (the total includes full-time Italian employees, French employees irrespective of the Country they work in and local employees for all the other countries), 23,255 are covered by collective bargaining agreements. It is important to bear in mind that Saipem also operates in Countries where they are no provisions for these types of agreement.
In 2015, various industrial tools were renewed both in the form of collective bargaining agreements (e.g. Canada, China, Brazil, Nigeria and Peru) or supplementary agreements (e.g. China, France and Nigeria in the form of Project Labour Agreements) and, in some cases, drawn up ex novo as in the case of PT Saipem Indonesia Karimun Branch.
In cases of divergence between local and international standards, the Company seeks solutions that facilitate behaviour based on international standards whilst considering the local principles.
During 2015, the total number of hours of strikes for the Saipem Group decreased compared to 2014. There were strikes in Italy and Nigeria. Almost all the hours of strikes refer to Nigeria, consisting of 9 events of collective abstention from work. The strikes regarded issues related to the trade unions leaders themselves and others linked to everyday working activities. With reference to Italy, in the month of March there was a strike by the metal-working sector involving one trade union organisation while in November the collective abstention from work regarded all the offices and sites within the framework of a national strike at Eni Group level for reasons linked to the parent company's industrial plan, which included the disposal of the Saipem shareholding.
More information can be found in the 'Human resources and health' section of the Directors' Report in the 'Annual Report 2015'.

Diversity and Equal Opportunities

Gender diversity

		2013	2014	2015
Female presence				
Female employment	(No.)	5,701	5,832	5,257
Female Senior Managers	(No.)	19	20	22
Female Managers	(No.)	653	684	704
Compensation				
Ratio of basic salary of women to men, by employee category:				
- Senior Managers	(%)	89	91	91
- Managers	(%)	91	87	82
- White Collars	(%)	92	94	92
- Blue Collars	(%)	116	138	45

Age diversity

(No.)	2013	2014	2015
Age groups			
Employees under 30 years of age	9,820	10,480	7,595
of which women	1,405	1,408	1,097
Employees aged between 30 and 50	33,524	35,264	31,436
of which women	3,628	3,822	3,529
Employees over 50 years of age	8,813	8,893	7,315
of which women	668	668	631

Cultural diversity

(No.)	2013	2014	2015
Multiculturalism			
Number of nationalities represented in the employee population	126	131	128

The protection of the minority of employees is safeguarded through the application of local laws, and is reinforced by specific corporate policies that emphasise the importance of this issue. The goal is to ensure equal opportunities for all types of worker in an effort to deter the onset of prejudice, harassment and discrimination of any kind (e.g. related to sexual orientation, colour, nationality, ethnicity, culture, religion, age and disability) in full respect of human rights. In the various environments in which Saipem operates, this protection is reflected in the context of specific regulations that provide for minimum employment obligations of disabled staff, young staff or in relation to certain proportions between local and expatriate staff, for example.

As regards gender diversity, the percentage of women who hold a managerial position compared to the total number of women rose from 12% in 2014 to 13%. Women in managerial positions increased in absolute terms (726 in 2015 compared to 704 in 2014) and in percentage (14% in 2015 compared to 13% in 2014) compared to the total number of female employees.

The gender pay gap indicator is calculated as the ratio between the average salary of a woman compared to the average salary of a man by category.

Saipem is constantly committed to defining policy guidelines aimed at reducing pay inequality between men and women, even although in some cases the significant variations of manpower in countries with high average pay, the effect of exchange rates in countries with a low rate of inflation and high devaluation of the currency (e.g. Venezuela) have impacted the indicator on a global level. The increase in the male/female pay difference for the Blue Collars compared to 2014 was due to the fact that the women Blue Collar employees were much fewer and therefore even a minimum variation in the number of staff can lead to significant variations in the indicator.

Saipem promotes the work/family balance of its personnel through regulations and/or local policies that guarantee parental leave. In all environments, maternity/paternity leave is regulated and only differs in timing and type of abstention from work. This is accompanied by possibilities of leave for breastfeeding, child or family member illness, and raising a child (flexible and part-time working hours and telecommuting). The possibility of adoption-related leave is also worth a mention. In 2015, Saipem had 1,093 employees (of the 43,313 monitored), 473 men and 620 women on maternity/paternity leave for a total of 60,590 days; at the same time, it is noted that in the same period 654 employees, 405 men and 249 women returned to work from maternity/paternity leave.

Local presence

Saipem is present in many regions, working with a decentralised structure in order to respond better to local needs and sustainability aspects. Wherever it works, Saipem plays an active role in the community, providing a contribution to the social and economic life of the territory, in terms of local employment and creation of value.

In line with the clients' requests and indications, in the management of its projects Saipem uses the social-economic impact evaluations and studies supplied by the clients themselves or produced in-house, if necessary. The operations in which Saipem has direct responsibility for the impacts generated at local level regard the fabrication yards or proprietary logistic bases. In these cases, Saipem identifies and assesses the potential effects of its activities and actions in order to ensure they are managed appropriately, as well as any specific activities and projects aimed at developing the local socio-economic context. The typical tool used is a Socio-Economic Impact Assessment (EIA) or the ESIA (Environmental Social Impact Assessment). As a result of this study, Saipem collaborates with the stakeholders involved in order to prepare an Action Plan which defines the necessary actions to manage the impacts generated on the local communities.

With a view to mitigating impacts on local populations and areas, Saipem has implemented specific analysis tools to identify areas of intervention and lines of action. As regards relations with local areas, Saipem has a process in place for identifying the main stakeholders, as well as the means for involving them in order to create constructive and ongoing dialogue.
Saipem is present in the territory mainly in two ways: long-term presence where the company owns fabrication yards or other operating structures; and short/mid-term presence where Saipem is involved in a specific project. Saipem's involvement and its dialogue with the local stakeholders therefore depend on the type of presence the Company has in the territory.

(€ million)	2013	2014	2015
Expenses for initiatives targeting local communities	2.066	1.992	2.863

In 2015, Saipem made a commitment, through its operating companies, to consolidate relations with local stakeholders, both through direct involvement and studies and analyses aimed at understanding the needs of the area and planning interventions. The increased expense in 2015 is in line with the expense of 2014; the difference is due to the extension of the reporting scope and the improved accuracy of the calculation of the data. Of these €2.863 million, more than €1.7 million were allocated to operating projects. Amounts that will be refunded by the clients are excluded from this total.
In 2015, focus continued to be placed on training, social-economic development and promotion of the Local Content (which together account for more than 80% of the expense).
Saipem has adopted a tool for assessing the positive effects of externalities generated on local areas by its strategy of maximising Local Content. Known as 'Saipem Externalities Local Content Evaluation' (SELCE), the model takes into account the indirect positive effects on the supply chain and the induced effects generated on society. In 2015, the model was applied for Canada and the Ichthys project in Australia. Moreover, Saipem has prepared a study, in collaboration with Nomisma Energia, to quantify the value generated by the Company in Italy.
During 2015, Saipem was not involved in major conflicts with local communities and indigenous populations.
Further information and details on the initiatives implemented in the local communities and the SELCE model are available in the document 'Saipem Sustainability 2015'.

Local Content

One of the pillars of Saipem's sustainability strategy is to maximise Local Content, both in terms of local procurement and local personnel. Saipem helps create growth opportunities for people and businesses in the communities in which it operates.

Local procurement

(%)	2013	2014	2015
Project-based orders placed with local vendors, of which in:	54	56	68
- Americas	73	63	77
- CIS	72	40	70
- Europe	45	97	91
- Middle East	44	74	68
- North Africa	38	32	46
- South and Central Africa	36	27	51
- Oceania and rest of Asia	69	67	86

In 2015, out of a total of €8.27 billion of orders, from which €1.71 billion must be excluded (of which 58% is allocated to investments in company assets and staff expenses and the remaining part cannot be allocated geographically), €4.43 billion was ordered from local vendors. An order is only considered local when the supplier is from the same State as the project for which the order is made.
In 2015, total orders decreased significantly compared to 2014 (-24%), in line with the activities carried out in the year. Despite the overall reduction in procurement, the quota of local procurement was more or less stable compared to 2014 (€4.56 billion in 2015 compared to €4.43 billion in 2014). There was a significant re-allocation of local and global procurement among the various geographic areas, however at a consolidated level there was a marked increase in the quota of local procurement compared to 2014 (56% in 2014 compared to 68% in 2015).
In the Americas, even though there was a reduction in total procurement in the area, the percentage of local procurement compared to the total of the area increased compared to 2014. One of the most important projects that contributed to this result mentioned above was certainly the Lakach project where the umbilical cables were procured from local vendors. Another project which contributed to this result was Petrobras Cabiúnas Gas in which the construction services, hydrostatic tests and chartering activities were entrusted to vendors operating in the area.

The CIS area registered a significant increase in local procurement compared to 2014. A significant contribution was given by the Shah Deniz 2 project in which the barge and vessel chartering activities were carried out using local vendors. Another project which had a significant impact was the installation of pipelines in Kazakhstan for North Caspian Operating Co, where local vendors were employed for the excavation, dredging and chartering activities.

In Europe in 2015, the procured volume was almost half that of the previous year. In this scenario the percentage of local procurement was still very high (91%) albeit slightly lower than that of 2014 (97%).

In 2015, there was a decrease in the percentage of local procurement also in the Middle East. The projects which contributed to the increase in the global procurement included the Jazan project package in which Saipem was involved in the design and construction of the gasification and soot/ash removal unit, the acid gas removal and the hydrogen recovery units. Within the context of this project the recovery boilers, compressors and gas separation systems were procured from operators operating outside the area, with a significant increase in the percentage of global procurement compared to local procurement.

North Africa holds a quota of procurement which is insignificant compared to the total procurement. However, a marked increase in local procurement can be noted; from 32% in 2014 to 46% in 2015. An important contribution towards achieving this result was provided by the Burullus project, in which the equipment construction activities for the umbilical cables and flowlines were carried out by vendors operating in the area.

In South-East Asia and Oceania the increase in the percentage of local procurement in 2015 was mainly due to the marked reduction in procured global volumes compared to the previous year. In particular, there was a significant reduction in the global procurement in the Ichthys and Jangkrik FPU projects. The first project, which included the installation of the sealine between Ichthys and Darwin, had a large quota of global procurement in 2014 due to the transport by sea entrusted to Norwegian ship owners. These activities, being completed at the end of 2014, did not have any impact on the global procurement of 2015. In 2015, Jangkrik FPU contributed a reduced quota of global procurement as the purchase of centrifugal compressors for the project was made in 2014 from European vendors.

Local employment

(%)	2013	2014	2015
Local employees	77	79	80
Local managers (*)	43	43	44

(*) Manager refers to the total of the middle and senior managers.

The number of local staff amounted to 37,191 (80%) in 2015 compared to 43,126 (79%) in 2014 and 40,379 (77%) in 2013, while the percentage of local managers grew by 44%.

The percentage of local managers is calculated excluding the data of France and Italy; the inclusion of these countries would result in a percentage of 75% of local managers. The method used demonstrates transparently and faithfully the constant commitment of Saipem in promoting Local Content, as at managerial position level.

Further details on initiatives implemented in 2015 are available in the document 'Saipem Sustainability 2015', in the 'Directors' Report' section of the 'Annual Report 2015', and in the 'Sustainability' section of the Company website.

Workplace Health and Safety

In Saipem, the culture of health and safety of workers is guaranteed and backed by the external regulatory environment, mainly characterised by laws and agreements at national and Company level, and by the internal environment characterised by specific policies on health and safety that define particularly stringent criteria when compared to the local contexts, which today are characterised by the presence of a regulatory system still in the process of development.

Not all countries in which Saipem operates have trade unions at both national and local level. Where specific agreements are in place, they can be broken down into three main lines pursued by the Company and shared with the trade unions:

- setting up workers' H&S committees (composition and number);
- specific training for safety officers (responsible Company figures and employee representatives) and grassroots information on safety matters to all employees, with particular reference to courses on Health and Safety at Work, Fire Fighting, First Aid, and mandatory 'Special Operations' (Onshore-Offshore);
- regular meetings between the company and workers' representatives.

In Italy, workplace health, safety and environment are regulated by specific contract clauses and by the National Labour Contract. In particular, the collective agreement provides for the appointment of corporate representatives of the workers for their protection in the areas of health, safety and the environment (RLSA). The appointment is made by election and the number of representatives is provided for by law and the Collective Agreement. A specific trade union agreement signed by Saipem and the Trade Union Organisations (OO.SS) defines the duties of the RLSA and their full authority to carry out their activities also for workers assigned temporarily to activities at yards and work-sites other than those of origin.

Saipem launched the LiHS (Leadership in Health and Safety) programme in 2007 with a view to promoting the health and safety of its employees. This programme comprises various stages which, through workshops that involve all the company levels, set the aim of triggering cultural change in people so that they are more attentive and aware of health and safety issues. The numbers for the last three years are given below.

	2013	2014	2015
LiHS Programme			
Phase 1			
Workshops held	113	122	119
Number of participants in workshops held in phase 1	1,405	1,617	1,493
Phase 2			
Number of 'cascading events'	90	179	230
Number of participants in 'cascading events'	2,993	6,449	6,867
Phase 3			
Number of 'Five Stars training' sessions	124	384	361
Number of participants in 'Five Stars training' sessions	1,347	4,111	4,092
Phase 4			
Number of 'Leading Behaviour Cascading events'	167	119	247
Number of participants in 'Leading Behaviour Cascading events'	5,930	4,060	7,040
Phase 5			
'Choose Life campaign'	87	333	215
Number of participants in the 'Choose Life' campaign	2,448	5,570	2,682

LiHS data is updated on a periodic basis, not always in line with the calendar year. Changes can occur from one year to the next.

Further information on the LiHS programme can be found in the document 'Saipem Sustainability 2015'.

Safety performance

		2013	2014	2015
Man-hours worked	(millions of hours)	298.05	265.81	234.38
Fatal accidents	(No.)	6	1	2
Lost Time Injuries	(No.)	71	73	70
Severity Rate	(ratio)	0.01	0.01	0.02
Lost workdays	(No.)	3,611	3,696	4,439
Total Recordable Incidents	(No.)	344	289	253
Rate of absenteeism	(%)	2.20	4.00	4.60
LTI Frequency Rate	(ratio)	0.26	0.28	0.31
TRI Frequency Rate	(ratio)	1.15	1.09	1.08
Tool Box Talks	(No.)	925,017	891,256	796,723
Safety hazard observation cards	(No.)	701,329	908,340	710,817
HSE meetings	(No.)	45,376	41,136	25,338
Job Safety Analysis	(No.)	239,455	256,345	263,833
HSE inspections	(No.)	301,820	285,118	222,598

The calculation methodology used for the main indicators is outlined as follows:
- the man-hours worked are the total number of hours worked by employees of Saipem and contractors working on the operating sites;
- lost days of work translate into the total number of calendar days in which the injured person was not able to do their job as a result of an LTI. The calculation of days lost starts from the second day after the accident and counts up to the day on which the person is able to return to work;
- LTIFR and TRIFR are calculated as the number of LTI and TRI divided by the hours worked, all multiplied by one million. These ratios include injuries both to employees of the company and of contractors;
- the lost days are calculated by summing the total of the calendar days lost for incidents for the reference year. The Severity Rate is calculated as working days lost divided by hours worked, multiplied by thousands of hours worked;
- the rate of absenteeism is calculated as the ratio between the total hours of absence and the theoretical total annual hours to be worked. The theoretical annual hours of work are calculated proportionately to the number of staff at December 31, 2015. The total hours of absence do not include parental leave and estimated holiday hours.

In 2015, 263,833 Job Safety Analyses were performed (procedure used to detail the activities of a process, map the risks related to the activities and identify risk mitigation actions), an increase of 3% compared to 2014. This increase is particularly significant because the number of hours worked were 12% less than in 2014. This bears witness to the growing attention and more widespread application of this procedure.
As regards the other proactive indicators (HSE meetings, Tool Box Talks, Safety Inspections, Safety Hazard observation cards), there was a gradual decrease compared to 2014 due to the reduction in the operating activities and consequently of the hours worked.
The rate of absenteeism is in line with that of 2014. The slight increase was caused mainly by the fact that the rate is calculated as the total hours of absenteeism in the year (considering also those employees no longer in service at the end of the year) divided by the number of employees at the end of the year, which, as described in the specific paragraph, decreased by 15% compared to 2014.
Other projects implemented to promote safety at the workplace are described in the document 'Saipem Sustainability 2015'.

Health promotion

Saipem considers the health and wellbeing of its employees to be of unquestionable value. It is constantly working to strengthen its Health Management System. The system is designed to be fully functional also in the most remote and frontier areas, so as to guarantee the same level of quality at all of Saipem's offices and worksites. The system has the following objectives:
- guarantee all workers ideal physical and mental health and therefore better and safer work performance through strict health control programmes;
- ensure rapid and appropriate response in medical emergencies;
- develop and implement informative and prevention programmes and initiatives to help identify and control potential health risks present in the work environment;
- provide support to directors in drawing up policies and in adopting key decisions regarding the health of the workers.

(No.)	2013	2014	2015
Vaccines administered to employees and subcontractors	7,607	9,010	6,945
Medical staff	545	587	551
Medical consultations	90,923	107,890	124,224
Medical fitness examination	42,519	47,048	44,939
Occupational illnesses reported	10	13	26
Cases of repatriation	159	178	147
Choose Life Workshops	87	315	215

In 2015, 44,939 medical fitness examinations were performed, a decrease of 4.5% compared to 2014. The reason for this decrease was the reduction in the workforce, above all in the second half of the year. In line with sector standards, since January 2015, the validity of the medical fitness examination has been extended to 2 years. In 2015, 6,945 vaccinations were administered (mainly against Hepatitis A and B, Tetanus, Typhus, Flu and Yellow Fever). The medical department performed 124,224 consultations and follow-up examinations, 15% up on 2014. Prophylaxis measures and follow-up examinations remain the main activities with 38,746 consultations.
The Company organises a number of health promotion initiatives and programmes for its employees, such as:
- **Programmes for the prevention of cardiovascular diseases.** More than one fifth of the cases of repatriation in 2015 were related to cardiovascular disease.
  - The 'Cardiovascular Disease Prevention Programme' (CVDP) is based on the promotion of a healthy lifestyle and on risk assessment through overall monitoring of the state of health of the employees. Employees considered to be at risk of circulatory disease are included in the 'Risk Factor Follow-up' (RFF). In 2015, 134 sites were involved in this programme. More than 18,000 employees were controlled and those considered to be at risk were included in the RFF programme.
  - In 2007, Saipem launched the Telecardiology programme with the aim of providing assistance at remote sites. In 2015, 60 sites were covered and a total of 3,611 ECG (electrocardiograms) were transmitted; of these, 87 were dealt with as potential cardiac emergencies and therefore swiftly analysed by specialists. The other ECGs performed support the CVDP programme in the global monitoring of the circulatory risk of the employees.
- **Malaria prevention programmes.** Since Saipem operates in a number of countries considered at risk of Malaria, 'Malaria Awareness Lectures' are organised for employees. At year-end 2015, 100% (6,258) of non-immune employees operating in those zones had taken the course.
- **'Pre-Travel Counselling'.** The health information project, regulated by Italian law and the Company's corporate standard, implemented in Italy in 2008, is aimed at workers travelling abroad. The aim of the project is to provide information about specific risks in the destination country: biological, climatic and travelling risks. Following detailed evaluation of the epidemiological situation of the country, vaccinations may be recommended along with the behaviour to adopt. Since the programme was launched, 6,478 employees have been trained on the risks associated with the country of destination.
- **Programmes for the promotion of a healthy lifestyle.**
  - The 'Healthy Food' programme is implemented with the collaboration of the catering companies that work for Saipem and with the support of the Company's medical department. In 2015, the programme was implemented at 44 operating sites.

  - The 'Choose Life' programme revolves around a two-hour workshop, in which the short 'Choose Life' film is shown with the aim of improving health culture. In 2015, 2,682 people took part in the programme.
  - 31 doctors were specifically trained for the 'Stop Smoking' programme.
- **The 'Workplace Health Promotion' (WHP) programme.** Validated by the regional government of Lombardy, which Saipem SpA signed up for (for its Italian sites) in 2014. This programme is the result of the joint efforts of employers, workers and local institutions. The aim is to improve health and well-being at the workplace. It consists of a programme to adopt best practices in the field of health promotion. The three-year WHP programme introduces the development of activities in 6 thematic areas: promotion of a correct diet, anti-smoking campaigns, promotion of physical activity, road safety and sustainable mobility, alcohol and addictions, personal and social well-being and work/family balance. In 2015, for the second year running, Saipem was awarded for reaching the programme's goals.

Further information on Saipem's approach to promoting health for its employees and the local communities can be found in the document 'Saipem Sustainability 2015'.

Business ethics

Saipem is committed to operating within the law, regulations, statutory provisions, codes of conduct and in observance with the Codes of Ethics. The Universal Declaration of Human Rights adopted by the United Nations, the Fundamental Conventions of the ILO (International Labour Organisation), the OECD Guidelines for Multinational Enterprises and the principles of the UN Global Compact are fundamental principles on which Saipem bases its Code of Ethics and conducts its operations.
Compliance with the law, regulations, statutory provisions, codes of conduct, ethical integrity and fairness, is a constant commitment and duty of all the Saipem People. It characterises the conduct of Saipem's entire organisation in fact.
Saipem's business and corporate activities have to be carried out in a transparent, honest and fair way, in good faith, and in full compliance with competition protection rules.

Anti-Corruption

In order to reduce the risk of exposure to sources of corruption, Saipem has issued further Anti-Corruption regulatory instruments relating to various topics and particularly sensitive areas. These internal procedures are subject to constant checks to ensure they are updated when and where necessary. The most important updated/issued procedures in 2015 were:
- the 'Anti-Corruption' Management System Guideline;
- the standard procedures 'Reports (including anonymous one) received by Saipem and its subsidiaries in Italy and abroad', 'Relations with the Public Administration and management of inspections and requests by Authorities'.

Saipem SpA's Model 231 was updated in order to include the crimes introduced with Legislative Decree No. 231/2001, Law No. 190 dated November 6, 2012 (Provisions for the Prevention and Suppression of Corruption and Illegality in Public Administration), with Legislative Decree No. 109 of July 16, 2012 (Implementation of Directive 2009/52/EC which introduces minimum standards on sanctions and measures against employers of illegally staying third-country nationals) and with Law No. 172 of October 1, 2012 which ratified the 'Lanzarote Convention'. The Anti-Corruption procedures and the Saipem Model provide specific corrective actions and disciplinary sanctions in the event of violation of the rules and procedures in the field. In addition, specific contractual clauses provide for the possibility of terminating existing contracts in the event that, among others, commercial partners, intermediaries and subcontractors act in breach of such laws/procedures. Based on the nature of any possible violations, the corrective actions that are deemed necessary and most appropriate are implemented.
Saipem organises training courses, both via e-learning and workshops on themes such as Anti-Corruption, the Saipem Code of Ethics, Model 231 and other issues to raise awareness of these issues among employees in an effort to prevent cases of non-compliance with the law. The number of training hours has been calculated by multiplying the average number of hours by the average duration of course.

(No.)	2013	2014	2015
Employees trained on issues of compliance, governance, ethics and Anti-Corruption	1,351	1,353	1,929
Hours of training carried out on issues of compliance, governance, ethics and Anti-Corruption	3,273	3,218	4,264

Training was held in the classroom or remotely at numerous locations including: Croatia, Indonesia, Romania, Sharjah and Abu Dhabi (UAE), Kuwait, Qatar, Switzerland, Peru, Bolivia, Ecuador, Chile and Mozambique.
Further details on measures to prevent corruption are available in the document 'Saipem Sustainability 2015' and in the 'Corporate Governance and Shareholding Structure Report 2015'.

Transparency

Saipem does not make contributions, whether direct or indirect, in any form, to political parties, movements, committees and political organisations and unions, their representatives and candidates, except those provided for by specific regulations. In 2015, Saipem did not receive any significant fine and/or monetary sanction for non-compliance with laws and regulations (including laws and regulations regarding the environment). During 2015, Saipem was not involved in legal cases regarding unfair competition, anti-trust, monopolistic practices and relative judgements.
On July 11, 2013, the Court of Milan ordered Saipem SpA (as the legal entity incorporating Snamprogetti SpA) to pay a fine of €600,000 and further ordered the confiscation of the deposit of €24.5 million in relation to the charge of international corruption in Nigeria. At the end of the hearing of February 19, 2015, the Court of Appeal of Milan confirmed the decision of the Court of Milan. Saipem filed an appeal against the decision of the Court of Appeal with the Italian Court of Cassation. Saipem's involvement in the investigation into the activity of the TSKJ Consortium in Nigeria during the period 1994-2004 is due solely to the fact that in 2006 Saipem SpA acquired Snamprogetti SpA, the parent company of Snamprogetti Netherlands BV, which holds a 25% stake in the TSKJ Consortium. On July 3, 2015, Saipem filed an appeal against the decision of the Court of Appeal with the Italian Court of Cassation. The hearing to discuss the appeal with the Court of Cassation is set for February 12, 2016.
The decisions of the Court of Milan, the Milan Court of Appeal and the Court of Cassation have no financial impact on Saipem since Eni SpA, at the time of the sale of Snamprogetti SpA to Saipem, undertook to indemnify Saipem for costs and losses sustained in connection with the TSKJ matter.
During 2014, the Brazilian ANP (National Agency of Petroleum, Natural Gas and Biofuels) inflicted an administrative penalty upon Petrobras for an amount of 7.8 million real regarding alleged violations of ANP Resolution No. 43/2007 [Management System for Operational Safety (SGSO)], identified during an inspection on board FPSO Cidade de Vitòria, of which Saipem has been the operator since 2012. ANP challenges Petrobas with non-compliance with the safety operating scheme regarding oil and natural gas drilling and production installations.
Petrobras lodged an appeal against the penalty and the Judge has suspended its execution. Saipem do Brasil is an interested party in the outcome of the proceedings in that it is contractually bound to indemnify Petrobras for any fine/penalty, the latter is obliged to reimburse also for negligence attributable to the execution of the scope of work of Saipem do Brasil. The judgement is still pending.
With Resolution of June 18, 2014, Italian stock market regulator Consob fined Saipem SpA €80,000 for having allegedly delayed the profit warning it issued on January 29, 2013. On July 28, 2014, Saipem lodged an appeal with the Court of Appeal in Milan. This was rejected by the Court of Appeal in Milan on December 11, 2014. The Company intends to appeal against the Court of Appeal's decision with the Italian Court of Cassation. On April 28, 2015, Saipem received notice of legal proceedings before the Court of Milan by 64 investors claiming compensation for damages of approximately €174 million allegedly incurred following the purchase of Saipem shares in the period between February 13, 2012 and June 14, 2013. Saipem SpA appeared in court, fully disputing the adverse party's requests, challenging their admissibility and, in any case, their lack of grounds. The case is still in its initial stage, as the hearing for the first appearance of the parties was held in November 2015.
In addition, in relation to the alleged delays in market disclosure, in the course of 2015 the Company received a number of out-of-court claims, as well as requests for mediation. The requests for which a mediation was sought but not successfully obtained amount to approximately €193 million overall. Saipem SpA has replied to the out-of-court claims and the mediation, denying all liability. At present, the out-of-court claims and/or mediation have not been subject to legal action.
Further details are available in the 'Legal proceedings' section of the 'Annual Report 2015'.

A sustainable supply chain

All vendors involved in procurement activities with Saipem must read and accept Model 231 in full, including the Saipem Code of Ethics which draws its inspiration from the Universal Declaration of Human Rights of the United Nations, the Fundamental Principles of the International Labour Organisation (ILO) and OECD guidelines for multinational enterprises. This model is included as a document in all standard contracts with Saipem. In the qualification phase, the vendor fills out the Vendor Declaration in which it makes a commitment to act in strict accordance with the principles defined in the Saipem Code of Ethics and to respect Human Rights in accordance with Saipem's Sustainability Policy. It also undertakes to fulfil the requirements in accordance with the national law in force on salary, social security contributions and insurance obligations in relation to its personnel.
In addition, in 2011, Saipem integrated its own process for evaluating vendors with the aim of assessing the social responsibility of its supply chain. The current vendor qualification system has been supplemented with requirements for complying with social and labour rights, in line with the 'Fundamental Principles and Rights at Works' of the International Labour Organisation (ILO) and SA8000 standard. To achieve this, there was a particular focus on child and forced labour, freedom of association and right to collective bargaining, remuneration, working hours, discrimination, disciplinary procedures and health and safety.

(No.)	2013	2014	2015
Number of audits conducted	24	25	13
Countries in which the audits were conducted	5	2	4

Thirteen audits were conducted in 2015, of which 4 on new vendors (India, China, Saudi Arabia and Bahrain) and 9 follow-up audits on vendors in China and India. Overall, since the beginning of the campaign in 2011, 98 audits have been carried out.
The qualification questionnaires of 367 vendors were also analysed in detail. The questionnaires were selected according to the class of goods and nations with potential risk, with further details and additional documentation being requested where necessary.
Based on the level of HSE criticality, the qualification questionnaire includes HSE issues for around 14% of the classes of goods. In 2015, 548 qualification processes subject to HSE evaluation were closed. In 2015, more than 9,000 vendors were qualified.
Further information can be found in the 'Approach to Sustainability' section in the document 'Saipem Sustainability 2015' and in the Code of Ethics.

Security practices

In the management of Security, Saipem gives utmost importance to respecting Human Rights. Bearing witness to this, in 2010 Saipem introduced clauses concerning respect for Human Rights into its contracts with the external security companies. Any non-compliance represents due grounds for cancellation of the contract. Until now, the contractual clauses on Human Rights have been included in the 'General terms and conditions' and therefore in all contracts.
For all new operational projects in which Saipem is responsible for Security, a Security Risk Assessment on the country in question is made prior to any offers being tendered. If a decision is made to proceed with the offer, a Security Project Execution Plan is also prepared. The Security risk related to the operating activities and context is analysed, including any issues of Human Rights violations. The actions required to manage and reduce these to a minimum are decided upon based on the risks identified.
In December 2015, training on Human Rights and work practices was offered to the personnel in Angola. In 2016, the Company will extend this training also to other Company sites. Further information is available in the document 'Saipem Sustainability 2015'.

Reporting suspected violations

Saipem has a Corporate standard that describes the process of managing reports.
The term 'report' refers to any information regarding possible violations, behaviour and practices that do not conform to the provisions in the Code of Ethics and/or which may cause damage or injury to Saipem SpA (even if only to its image) or any of its subsidiaries, on the part of Saipem SpA employees, directors, officers, audit companies and its subsidiaries and third parties in a business relationship with these companies, in one or more of the following areas: the internal control system, accounting, internal accounting controls, auditing, fraud, administrative responsibilities under Legislative Decree No. 231/2001, and others (such as violations of the Code of Ethics, mobbing, security, and so on).
Saipem has prepared various channels of communication in order to facilitate the sending of reports, including, but not necessarily limited to, regular post, fax numbers, e-mail, and communication tools on the intranet/internet sites of Saipem SpA and its subsidiaries.
The Internal Audit function ensures that appropriate controls are made for facts that have been reported, through one or more of the following activities, guaranteeing that such phases are carried out in the shortest time possible and respecting the completeness and accuracy of the inspection activities. The inspection comprises the following stages: (a) preliminary check; (b) assessment; (c) audit; (d) monitoring of corrective actions.
Internal Audit draws up a quarterly report on reports received which, following examination by the Saipem Board of Statutory Auditors, is transmitted to the following people/functions in Saipem SpA: the Chairman, the Chief Executive Officer (CEO), the external auditors, the members of the Whistleblowing Committee and the manager of the Planning, Administration and Control Function, the members of the Whistleblowing Team, the Anti-Corruption Unit and Legal Compliance and, for reports within their remit, the Compliance Committee, the Chief Operating Officer or the managers of the functions that report directly to the CEO, the Top Management of each subsidiary involved and their respective control bodies.

(No.)	2013	2014	2015
Number of files			
Of which:	58	67	78
- founded or partially founded	10	16	10
- unfounded	47	48	41
- open	1	3	27

The data for the three-year period is updated as of December 31, 2015.

Details of some categories of file are provided below:

(No.)	2013	2014	2015
Files on cases of discrimination			
Of which:	4	5	11
- founded or partially founded	2	-	-
- unfounded	2	4	5
- open	-	1	6
Files in relation to workers' rights			
Of which:	17	19	15
- founded or partially founded	2	1	1
- unfounded	15	16	8
- open	-	2	6
Files regarding violations of the rights of local communities			
Of which:	-	-	2
- founded or partially founded	-	-	-
- unfounded	-	-	1
- open	-	-	1

The data is updated as of December 31, 2015.

In 2015, 11 files were opened in relation to reports of discrimination, of which 6 remain active and 5 have been closed. In 2015, 2 files were opened in relation to reports of violations of the rights of local communities, of which 1 remains active.
In all these cases the files were transmitted to the Compliance Committees of the companies involved in the reports and, with reference to files closed in the year, the competent Compliance Committees or the Board of Statutory Auditors of Saipem SpA, on the basis of the audits performed, resolved on their closure, deciding that cases of violation of the Code of Ethics did not exist in the cases reported. No corrective actions were implemented.
As regards reports concerning questions of human rights/workers' rights, in 2015, 15 files were opened of which 6 remain active while the remaining 9 have been closed. In 8 cases, the competent Compliance Committee or the Board of Statutory Auditors of Saipem SpA, on the basis of the audits performed, resolved on their closure, deciding that cases of violation of the Code of Ethics did not exist in the cases reported. One report was deemed founded and corrective actions were implemented. These consisted in formal written notices to the employees involved in the behaviours reported.

Environment

Saipem's main commitment to the environment, as set forth in the HSE Policy, is to minimise the impacts on the environment caused by its operations and to pursue continuous improvement in environmental performance.
In the light of this commitment, the environmental strategies are oriented towards the reduction of any type of impact and the conservation of natural resources. A key element in these strategies is the promotion of widespread environmental awareness and the adoption of best practices in all of Saipem's sites and projects. This also includes pollution prevention activities that contribute to saving energy and water, and that encourage the re-use or recycling of waste.
In 2015, the procedure 'Operational control of environmental aspects' was issued. It defines the minimum requirements at Group level regarding the most significant environmental aspects, even if there are no local regulations on the issue.
Saipem's top management strongly encourages continuous improvement of environmental performance in the operative phases. Saipem reaffirms its commitment to reducing environmental damage, pollution and, more in general, any negative effects on the environment through Research and Development programmes, environmental monitoring activities and a wide range of measures aimed at mitigating risks.

Energy and Emissions

		2013	2014	2015
Energy consumption	(ktoe)	**622.6**	**564.3**	**514.0**
Total direct consumption of energy, of which:	(ktoe)	594.8	536.5	488.2
- Natural Gas	(ktoe)	1.0	0.9	1.5
- Heavy Fuel Oil (HFO)	(ktoe)	-	0.004	-
- Intermediate Fuel Oil (IFO)	(ktoe)	28.3	12.7	21.0
- Light Fuel Oil (LFO)	(ktoe)	32.4	43.2	28.7
- Diesel	(ktoe)	368.2	321.3	290.6
- Diesel Marine Oil	(ktoe)	158.8	152.3	139.7
- Gasoline	(ktoe)	6.1	6.1	6.8
Indirect energy consumption				
Electricity consumed	(GWh)	121.2	119.9	112.1
Renewable energy				
Electricity produced from renewable sources	(MWh)	266.3 (1)	310.8	309.9
Total direct and indirect greenhouse gas emissions				
Direct GHG emissions	(kt CO_2 eq)	1,538.7	1,420.1	1,504.2 (2)
Indirect GHG emissions (scope 2)	(kt CO_2 eq)	54.0	49.1	43.0
Other significant emissions				
SO_2 emissions	(kt)	4.4	4.2	5.1 (2)
NO_x emissions	(kt)	25.8	24.3	26.5 (2)
CO emissions	(kt)	11.1	10.6	12.0 (2)
PM emissions	(kt)	0.7	0.6	0.6 (2)
NMVOC emissions	(kt)	1.0	0.9	1.0 (2)

(1) This energy is produced by photovoltaics in Italy and Portugal. A photovoltaic system, consisting of 100 modules and occupying a total area of 165 m^2, was installed on the roof of the offices of Madeira in 2013. The energy produced is introduced into the network and is not used at the Saipem offices. It is important to note that the production levels of this type of energy are strongly influenced by weather conditions.
(2) The methodology to calculate direct GHG emissions and other significant emissions was modified in 2015.

Energy consumption in 2015 was 514 ktoe compared to 564.3 ktoe in 2014. The overall reduction was mainly due to the decrease in operating activities. Some onshore projects were concluded in 2015 (Gladstone LNG Pipeline, Etihad Rail Project and Shah Gas Development Plant); moreover, some vessels (offshore drilling rigs were not operative) were undergoing maintenance (Saipem 7000, Castoro Sei, Saipem 3000, Saipem FDS, Saipem 12000, Scarabeo 5 and Scarabeo 7).

The consumption of Intermediate Fuel Oil almost doubled compared to 2014. The use of this fuel is directly linked to the Castorone. In 2015, this vessel used only Intermediate Fuel Oil while in 2014 it had used both Intermediate Fuel Oil and Light Fuel Oil. The fuel use depends on the vessel's area of operation. Specifically, in 2015, the Castorone worked almost all year on the Ichthys project in Australia.

The consumption of Gasoline was up by 11% due to the increase in the Southern Swamp Associated Gas Solutions Project activities, in Nigeria.

Saipem has developed a number of initiatives to increase energy efficiency. The strategy consists of two main parts: the analysis of the assets and the implementation of technical solutions together with training and awareness-raising initiatives.

In 2015, in accordance with the legislative decree which implements the European Directive concerning energy efficiency (2012/27/EU), Saipem reviewed and re-issued 3 energy assessments on the following Italian assets according to clustering consumption and types of activities carried out: 3rd and 4th office buildings (the main Italian offices) and the Arbatax Yard (Sardinia, Italy), identifying the main improvement areas.

During the reporting year an energy assessment was also performed in the Karimun Yard (Indonesia), identifying important areas of improvement, some of which can be achieved only with some management interventions.

Following the application of some improvement areas identified in the 2014 energy assessment at the Edmonton Yard (Canada), energy savings of around 300,000 kWh (corresponding to around 50,000 Canadian dollars) were obtained.

Another action aimed at minimising energy consumption was the building of the new office at the Ravenna logistics base. The office was designed with an energy saving system, and resulted in a reduction in consumption from the approximately 40,000 kWh per month of the previous office to approximately 25,000 kWh per month. Estimated savings in one year are more than 150,000 kWh (a saving of around 90 t of CO_2).

The energy saving is due to the following systems adopted in the new office: thermal insulation of walls and windows, installation of a more efficient air conditioning system, and a photocell system to switch on the lights in the toilets only when people enter. A photovoltaic system comprising 56 modules was installed on the roof (16.8 kW peak in total). The system can produce 17,757.2 kWh of electricity per year (9 t of CO_2 saved per year).

In 2015 the route optimisation project, started in 2012, continued. Route optimisation consists of identifying the optimal route for the voyage, through satellite evaluation performed with specially designed software, in order to reduce navigation time and, consequently, fuel consumption. The best route

is detected each day, taking into consideration the weather conditions and currents. Analysis of the weather conditions is provided 4 times a day and on the basis of this information the Captain is able to choose the best route in order to minimise fuel consumption.
In 2015, around 105 tons of fuel were saved (S3000, FDS and S355), this avoiding around 328 t of CO_2.
More information on these issues can be found in the 'Directors' Report' of the 'Annual Report 2015' and in 'Saipem Sustainability 2015'.

Water

		2013	2014	2015
Total withdrawal of water, of which:	(10^3 m^3)	**8,740.1**	**6,318.6**	**5,226.4**
- fresh water/from waterworks	(10^3 m^3)	5,683.4	3,968.9	2,614.9
- groundwater	(10^3 m^3)	1,997.8	1,132.7	1,571.6
- surface water	(10^3 m^3)	218.4	116.7	152.8
- sea water	(10^3 m^3)	840.4	1,100.3	887.0
Recycled and reused water				
Reused and/or recycled water	(10^3 m^3)	1,788.2	1,326.1	309.9
	(%)	20	21	6

Saipem promotes the implementation of initiatives to achieve water savings both at project level and on operational sites.
Water consumption decreased by 17% in 2015 due to the reduction in operative activities. In particular, some large onshore projects were concluded (Gladstone LNG Pipeline, Etihad Rail Project and Shah Gas Development Plant); moreover, some vessels (offshore drilling rigs were not operative) were undergoing maintenance work (Saipem 7000, Castoro Sei, Saipem 3000, Saipem FDS, Saipem 12000, Scarabeo 5 and Scarabeo 7).
Initiatives to encourage re-use of treated waste water are considered particularly important. The reduction in the amount of re-used water is due to the completion of the Shah Gas Development Plant project which re-used large volumes of water for irrigation and dust abatement.
In an effort to identify areas subject to a high water risk, Saipem carries out a two-step assessment. In the first, once all operational sites (yards and logistical bases) have been identified, Saipem uses the following instruments to assess the water risk: Global Water Tool, Aqueduct and Maplecroft. The second step involves assessing the water withdrawal, use, discharge and the systems present. In this way, the critical areas in which improvement projects will be implemented are identified.
An example of this approach is the preparation of a Water Risk Assessment for the Zohr Gas Treatment Plant project (Egypt). The Assessment, which analysed the availability of water and estimated the consumptions of water at site level led to the identification of risks concerning the scarcity of water in the project construction phase. Actions to manage and mitigate this risk were then evaluated.
Moreover, if requested by local laws, contractual clauses or any specific needs, Saipem also draws up Water Management Plans and Water Assessments.

Biodiversity

The conservation of biodiversity and ecosystems is a fundamental element of the approach taken by Saipem to manage interactions of its activities with the surrounding environment, paying particular attention to the presence of:
- protected areas or other areas which are important for the conservation of biodiversity;
- endangered species;
- ecosystem services which are socially and ecologically fundamental, such as water. Saipem promotes efficient use and consumption of water, particularly in areas affected by high levels of water stress.

On all of its operations, Saipem implements all requirements and control measures needed to ensure the safeguarding of biodiversity and the integrity of ecosystems. Relevant requirements are established by applicable laws and regulations, and, where Saipem is the contractor, by the contract documents (EIA, contract, client procedures, etc.) to which Saipem has agreed.
Where Saipem is the client, e.g. for the construction of new office buildings or permanent sites, specific studies must be prepared to assess the impact of the new works on biodiversity and local ecosystems and define suitable control and mitigation measures.
Bearing witness to the Company's commitment to technological development and to creating business solutions that contribute to reducing the environmental impact, especially in sensitive areas from the point of view of biodiversity, Saipem was rewarded in 2014 for the GNLG project (Australia). Saipem Australia, along with Thiess and Santos GLNG Gas Transmission Pipeline, received a prize, announced by the 'Queensland Government Department of Environmental and Heritage Protection and by Queensland University of Technology (QUT)', in the category 'Innovation in Sustainability Technologies'. In 2015, the Company set up a series of activities to protect biodiversity in Azerbaijan regarding the SCPX project, and in Brazil in the Guarujá Yard.
Further information is available in the document 'Saipem Sustainability 2015'.

Discharges

(10^3 m^3)	2013	2014	2015
Total waste water produced, of which:	**5,319.4**	**4,015.7**	**3,746.3**
- water discharged into the sewer systems	616.1	482.6	569.4
- water discharged into bodies of surface water	1,543.7	1,007.2	1,182.2
- water discharged into the sea	750.7	950.9	1,064.6
- water discharged to other destinations	2,408.9	1,575.0	930.1

The decrease in the volume of waste water is due to the reduction in water consumption.

Waste

(kt)	2013	2014	2015
Total weight of waste produced, of which:	**387.4**	**453.6**	**508.5**
- hazardous waste disposed of in landfill sites	50.9	32.1	31.9
- incinerated hazardous waste	3.4	3.5	2.8
- recycled hazardous waste	7.8	9.3	5.0
- non-hazardous waste disposed of in landfill sites	282.8	192.4	285.8
- incinerated non-hazardous waste	6.0	3.6	6.4
- recycled non-hazardous waste	36.5	212.7	176.5

The increase in non-hazardous waste production was due also to the activities carried out within the Landfall Facility Construction project (Russia) in the second half of the year; the project reached a stage where it was necessary to remove a large amount of soil to level the ground. Within the project this type of waste will continue to be produced in 2016.
Saipem is committed to minimising the production of waste, and hazardous waste in particular, and to promoting the best practices already implemented on the operating sites (e.g. recycling of some materials, waste monetisation). Saipem is developing a new technology to minimise the quantity of waste and the environmental impact in the event of an accidental spill. Another best practice is represented by management of the dismantling and recycling of the Costa Concordia (approximately 65,000 tonnes of metal) carried out in a Joint Venture with San Giorgio del Porto, as described in the document 'Saipem Sustainability 2015'.

Spills

		2013	2014	2015
Number of spills				
Total	(No.)	77	50	38
Spills of chemical substances	(No.)	21	14	4
Spills of oily substances	(No.)	56	36	34
Volume of spills				
Total	(m^3)	67.20	21.60	2.18
Spills of chemical substances	(m^3)	62.70	17.40	0.06
Spills of oily substances	(m^3)	4.50	4.20	2.12

In 2015, there was a marked reduction in the number, but above all in the volume, of spills. This demonstrates Saipem's constant commitment to the prevention of these types of events. All incidents are reported and investigated appropriately in order to establish the causes and identify corrective actions to prevent such events from happening in the future. Each quarter, environmental bulletins and reports are disseminated throughout the Group in order to share the 'lessons learned'. It should be noted that 2013 saw the reporting methodology revised, and only spills above 10 litres are now in fact monitored.
Further information on the Company's approach to spill prevention is available in the document 'Saipem Sustainability 2015'.

Additional information

Economic performance

(€ million)	2013	2014	2015
Employee payroll and benefits	2,270	2,408	2,222
Research and development costs	14	11	14
Dividend distribution	375	45	17
Operating expenses	9,400	10,399	9,723
Net sales from operations	11,841	12,873	11,507
Income taxes	106	118	127
Seniority bonus schemes	5,871	6,786	4,427

Saipem Group companies implement and manage the supplementary pension plans based on the legal and social system of the state in which the Company operates. Despite the fact that laws in some countries such as the United States and the United Kingdom do not require that the employer pay into employee pension funds, Saipem has decided to support the employee's supplementary pension plan with its own contribution.

Product Responsibility

As a contractor, Saipem operates in accordance with the client's requests and in compliance with international regulations at all times, and the contractual responsibility for the product remains with the client.
Saipem supplies products that do not require labelling, and in each case the references for the technical and quality standards are the contractual conditions imposed by the client. Therefore, the client is responsible for the product, Saipem only for its manufacture. Saipem promotes the protection of health and safety of all personnel engaged in its operational activities and of the host communities. The Company has implemented management procedures and specific processes for the management of particularly complex systems, where the highest risks are operational and safety-related (see the document 'Saipem Sustainability 2015').

Customer Satisfaction

Analysing and quantifying the perception of the client and how Saipem's work is perceived is a fundamental factor in the approach for continuous improvement. Saipem believes that constant monitoring of client satisfaction is vital to achieving the best results. The client satisfaction process is based on a questionnaire administered via the web that asks for client feedback on many topics, both managerial and technical, from engineering to procurement and construction. Specific sections are devoted to project management, quality, HSE and sustainability. These sections are designed to evaluate Saipem's capacity in its relations with the local communities and the promotion of Local Content. In 2015, Saipem received 91 questionnaires from clients of onshore, offshore and drilling projects. The main results are as follows:

		2013	2014	2015
Customer Satisfaction questionnaires received	(No.)	71	104	191
Average client satisfaction score (on a scale of 1 to 10)		7.75	8.14	8.27
Average client satisfaction score on issues of Sustainability (*) (on a score ranging from 1 to 10)		7.52	7.63	8.34

(*) It should be noted that 68 questionnaires were taken into consideration when calculating the average client satisfaction score on sustainability theme.

Membership of associations

Saipem participates in numerous initiatives and associations that have as their main objective the sharing of best practices within their specific business sectors. The Saipem Group takes part in a total of 80 associations. In particular, the parent company is a member of 27 associations, including: ANIMP (Associazione Nazionale di Impiantistica Industriale - Italian Association of Industrial Plant engineering), Assomineraria, IADC (International Association of Drilling Contractors), IMCA (International Maritime Contractors Association), IPLOCA (International Pipeline & Offshore Contractors Association), and WEC (World Energy Council: Italian National Committee of the World Energy Council). Many other companies in the Group are members of associations such as, for example, Saipem SA (GEP - French professional organisation for companies who work in the petroleum industry), Ersai (Ship owners and Marine Industry Ventures Association), Petrex (SNIMPE - Sociedad Nacional de Mineria Petroleo y Energia) and Saipem do Brasil (IBP - Instituto Brasileiro de Petróleo, Gás e Biocombustíveis.

Assurance Statement

Building a better working world

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Independent auditors' report on the "Sustainability Statements - Sustainability Performance 2015 "
(Translation from the original Italian text)

To the Shareholders of
Saipem S.p.A.

We have carried out a limited assurance engagement of the "Sustainability Statements - Sustainability Performance 2015" (hereinafter "Sustainability Statements"), the addendum to the "Annual Report 2015" of Saipem S.p.A. and its subsidiaries (hereinafter "Saipem Group") as of December 31, 2015.

Management's responsibility on Sustainability Statements

The Management is responsible for the preparation of the Sustainability Statements in accordance with the reporting principles detailed in the paragraph "Methodology, criteria and reporting principles" of the Sustainability Statements, as well as for that part of internal control that they consider necessary in order to allow the preparation of a Sustainability Statements that is free from material misstatements, even caused by frauds or not-intentional behaviors or events. The Management is also responsible for defining the Saipem Group's commitments regarding the sustainability performance and for the reporting of the achieved results, as well as for the identification of the stakeholders and of the significant matters to report.

Auditors' responsibility

It is our responsibility the preparation of this report on the basis of the procedures carried out. Our work has been conducted in accordance with the criteria established by the principle "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 for the engagements that consist in a limited assurance. This principle requires the respect of relevant ethical principles, including those related to independence, as well as the planning and the execution of our work in order to obtain a limited assurance that the Sustainability Statements is free from material misstatements. These procedures included inquiries, primarily with company's personnel responsible for the preparation of the information included in the Sustainability Statements, documents analysis, recalculations and in other procedures in order to obtain evidences considered appropriate.

The procedures performed are summarized below:

a. Comparison of the economic and financial data and information included in the Sustainability Statements with those included in the Saipem Group's consolidated financial statements as of December 31, 2015 on which we issued our audit report, pursuant to art. 14 and 16 of Legislative Decree dated January 27, 2010, on April 6, 2016;

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b. Analysis, through interviews, of the governance system and management process of the issues related to sustainable development regarding Saipem Group's strategy and operations;

c. Analysis of the process relating to the definition of material aspects included in the Sustainability Statements, with reference to the identification modalities in terms of their priority for the different stakeholders' categories and to the internal validation of the process outcome;

d. Analysis of the operation of the processes that support the generation, recording and management of the quantitative data reported in the Sustainability Statements. In particular, we have carried out the following procedures:

- interviews and discussions with personnel of the Management of Saipem S.p.A. to obtain an understanding about the information, accounting and reporting system in use for the preparation of the Sustainability Statements, as well as about the internal control processes and procedures supporting the collection, aggregation, data processing and transmission of data and information to the department responsible for preparation of the Sustainability Statements;
- on-site verifications at Saipem Contracting Netherlands Azerbaijan Branch (Baku, Azerbaijan) and at Sharjah Branch (Sharjah, United Arab Emirates);
- analysis on a sample basis of the documentation supporting the compilation of the Sustainability Statements, in order to confirm the processes in use, their adequacy and the operation of the internal control for the correct reliability of data and information in relation to the objectives described in the Sustainability Statements;

e. Analysis of the compliance and internal consistency of the qualitative information included in the Sustainability Statements to the principles identified in paragraph "Management's responsibility on Sustainability Statements" of the present report;

f. Analysis of the process relating to the stakeholders engagement, with reference to the procedures applied, through the review of summary minutes or any other existing documentation relating to the main topics emerged from discussions with them;

g. Obtaining of the representation letter, signed by the legal representative of Saipem S.p.A., relating to the compliance of the Sustainability Statements with the principles indicated in paragraph "Management's responsibility on Sustainability Statements", as well as to the reliability and completeness of the information and data presented in the Sustainability Statements.

Our examination has entailed a lower extension of work compared to the work to be performed for a reasonable assurance engagement in accordance with ISAE 3000 and, as consequence, 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.

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Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the "Sustainability Statements - Sustainability Performance 2015" included in the "Annual Report 2015" of Saipem Group as of December 31, 2015 is not in compliance, in all material aspects, with the reporting principles stated in the paragraph "Methodology, criteria and reporting principles" of the Sustainability Statements.

Other matters

The Management restated certain comparative data related to the prior years with respect to the data previously presented and subject to our limited assurance, on which we issued our auditor reports on April 8, 2014 and on April 2, 2015. We have examined the method used to restate the comparative data and the information presented in the explanatory notes in this respect, for the purpose of expressing this report.

Milan, April 6, 2016

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

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

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SAIPEM

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Publications
Relazione finanziaria annuale (in Italian)
Annual Report (in English)

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

Saipem Sustainability (in English)

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