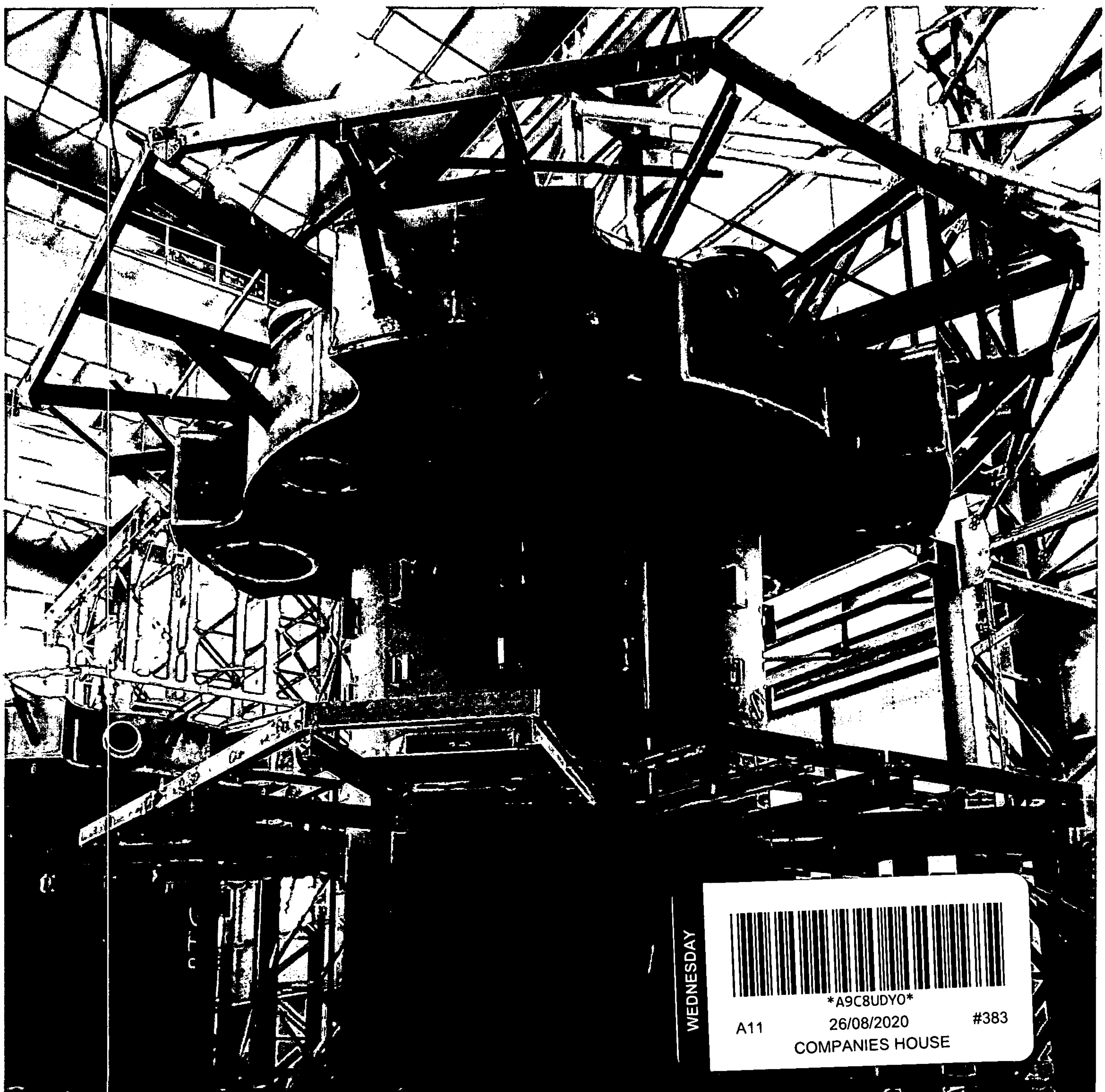

Saipem Ltd Reports and Financial Statements

Registered Number 07195109

SAIPEM

31 December 2019

Directors
Paolo Formica
Massimiliano Guerra

Auditor
KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL
United Kingdom

Registered Office
Saipem House
12-42 Wood Street
Kingston Upon Thames
Surrey
KT1 1TG
United Kingdom

Company Registration Number
07195109

VAT Registration Number
GB 840 1990 34

Strategic report

The directors present their strategic report for the year ended 31 December 2019. The report is specific to the company, which forms part of the E&C Offshore Division of the Saipem Group. The consolidated financial statements of the Saipem Group, headed by Saipem S.p.A, the ultimate parent, are available via www.saipem.com.

Principal activities

The company provides offshore engineering, procurement, construction, installation, removal, subsea and project management services to the oil, gas and renewable industries. Services are offered on a turn-key, integrated or stand-alone basis. The company operates in the North Sea and Baltic areas and supports Saipem Group operations in other regions such as the Gulf of Mexico.

Results and dividends

Gross profit for the year totalled €28,700 thousand (2018 profit of €13,276 thousand).
Net profit for the year after taxation totalled €7,254 thousand (2018 loss of €2,349 thousand).
Dividends paid during the year totalled €20,000 thousand (2018 - €70,000 thousand).

Review of the business during 2019

2019 represented a landmark year for the company, following the award of the Neart na Gaoithe (NnG) offshore wind farm project, involving Engineering, Procurement, Construction and Installation (EPCI). The project is the biggest renewable contract secured by the company to date. The award demonstrates market acceptance of the company's diversification into renewables.

A second significant event was achieved, following Equinor's award to the company's Norway Branch of the first ever worldwide service contract for subsea drones signed in the offshore oil and gas industry.

In addition to the commercial results above, significant works performed on projects are outlined as follows:

- Engineering including initial design of the jacket and piles, civil works in readiness to start serial production, fabrication of the template and other procurement, transport and readiness activities began on the NnG project, on behalf of NnG Offshore Wind Ltd. The company's scope of work consists of the EPCI of 54 steel foundation jackets for an equivalent number of wind turbines with a capacity of around 8MW each, 2 steel foundation jackets for the offshore electrical substations and the transport and installation of the associated topsides. The jackets will be partly manufactured at a Saipem Group yard in Indonesia and partly in fabrication facilities located in Scotland. The jackets will be placed on piles at depths ranging from 40m to 60m.

- Engineering and procurement activities took place on the Liza 2 Project, which involves the construction of approximately 115 kilometres of risers and flowlines, on behalf of Esso Exploration Guyana Limited. This included line pipe production and coating as well as forgings and fittings, buoyancy modules, strakes and fabrication of subsea structures. Pre-Qualification testing for these procurement activities were also performed. Installation aids procurement began in preparation for the offshore campaign.

Strategic report (continued)

Review of the business during 2019 (continued)

- Heavy lift of 11,000 tonnes and installation of a gas compression module onto the CA-KU-A1 platform in the Ku Maloob Zaap oil field, in the Gulf of Mexico, on behalf of another Saipem Group company.

- EPCI services were performed on the Tolmount project, on behalf of Humber Gathering System Limited. Installation and design engineering continued in preparation for the offshore/onshore operations in 2020 and key subcontracts were awarded for line pipe supply and coating, bends, flanges and spool fabrication. The pipeline anchor corridor/route survey was performed and the shaft in the landfall terminal installed successfully.

- Subcontracted onshore deconstruction and disposal activities continued in Stord Norway, forming the latter part of the Miller decommissioning project, on behalf of BP Exploration Limited. These activities are set to complete in 2020. The Miller platform comprised of an excess of 28,000 tonnes of topside in total and 11,500 tonnes of jacket.

- Transportation using the Castoro XI cargo barge and subsequent installation of the M40 module onto the Heidrun platform using the Saipem 7000, completed the company's scope of work on the Dvalin project, on behalf of Equinor.

- Two above water tie ins were performed, on behalf of the parent company, Saipem SpA, as part of the Nord Stream 2 AG project.

- Various early engagement engineering activities took place including the completion of front-end engineering design (FEED) which led to the award of an EPCI contract with BP to a Saipem Group entity.

- Provision of vessel, remotely operated vehicles (ROV's), survey, positioning and metrology services to Saipem Group companies, as part of their ongoing campaigns in South America, West Africa and Southwest Asia.

- During the year the company operated one branch in Norway and one representative office in Russia.

- During the year the company became the sole shareholder in Saipem Guyana Inc. a newly formed subsidiary. Following oil reserve discoveries, Guyana and neighbouring areas represent fast paced, growth areas for the Saipem Group. The company is well placed to offer expertise and experience gained from North Sea operations, in support of Saipem Group projects in the area. The subsidiary was created to enhance local content.

Principal risks and uncertainties

The company uses a risk management model to actively monitor, assess and manage risk. The principal (Tier 1) risk factors that the company currently faces are summarised as follows:

(i) Health, Safety and Environment (HSE) Risk: associated with the potential occurrence of accidents, malfunctions or failures with injury to persons, damage to the environment and impacts on operating and financial results.

Strategic report (continued)

Principal risks and uncertainties (continued)

(i) HSE risk (continued)

The safety of our personnel and of the local communities at large, and the integrity of our operations, are essential values for us and fundamental to guarantee a sustainable operating environment. The company aims to be an exemplary leader in HSE, as it is in the management and execution of its projects. Core to our values are the health and safety of our people, clients, visitors and business partners and the management of its potential environmental impacts. HSE guiding strategies are embedded in our culture and part of everyday business, as we strive in our commitment to minimise risk of injury, occupational illness and impacts on the environment. HSE aspects are considered in all activities, at all levels, during all phases of projects and services, in all countries in which the company operates. This is why HSE key performance indicators are set and monitored, and challenging objectives periodically identified and reviewed in order to achieve continuous improvements. Without prejudice to its commitment to comply with applicable legislation, guidelines and standards required by international organisations, the company pursues specific objectives to reach its own "Health & Safety Vision" and to ensure proper management of environmental issues.

"Health and Safety Vision" pillars include, but are not limited to:

- Respect and well-being of people come first
- Knowledge and competence are shared
- Trust and collaboration are valued
- Technology and innovation are keys to success

Everyone is encouraged to stop and intervene, the priority being always protecting the health and safety of all.

COVID-19

Since the outbreak of the COVID-19 pandemic, the company in coordination with Saipem Group guidelines and in line with instructions and/or recommendations provided by health authorities, promptly adopted a series of measures at all levels of the organisation (for example travel restrictions/ban and smart working) aimed at ensuring the health and safety of its employees, customers and suppliers and the continuity of operations. On the basis of the information currently available, the COVID-19 pandemic has been classified as a non-adjusting subsequent event in note 25. The Directors' have assessed possible impacts and conclude that the going concern assumption remains reasonable. Further details are provided in note 2 to the financial statements.

(ii) Economic Risk: opportunities in the North Sea are affected by a number of factors in addition to global supply and demand for energy. The downturn within the oil and gas industry following the Brent oil price fall in 2014 and further reductions in 2016, meant that cost efficiency became a continuous imperative in order to win work and achieve margins in a more constrained market environment, where competition, the bargaining power of clients and the increased trend for integrated solutions involving alliances, increased. New opportunities have developed in the region most notably in offshore wind and decommissioning. The company as part of the wider Saipem Group, plays close attention to the needs of our existing and potential clients and strives to offer cost effective and innovative solutions to meet dynamic and transitioning needs.

Strategic report (continued)

Principal risks and uncertainties (continued)

(iii) Project Risk: risk associated with the execution of projects in accordance with contractual terms. Projects typically involve challenging schedules, complex engineering and multiple vessels, equipment, suppliers and subcontractors. Projects are often subject to change and variation orders throughout the process. All these areas require careful management, starting from the bid and negotiation phases.

Depending on the size and complexity of the Project, a Project Team is assigned, headed by a Project Manager, overseen by an Execution Manager and supported by specialists in QHSE, Risk Management, Contract Management and so forth. Periodic project status reports cover risk, opportunities and financial performance.

(iv) Supply chain risk: In executing its projects and in the normal course of activities the company relies on numerous vendors of goods and services and subcontractors. Any inadequate performance on their part could generate deficiencies in the supply chain and the consequences to the company could include, for example, additional costs, delays and loss of reputation. A deterioration in relations with vendors and subcontractors could lead to a competitive disadvantage.

With the aim of preventing and mitigating these risks, the company has adopted a structured system of qualification and selection. Vendors and subcontractors are required to read and accept the Saipem Group Model 231 which includes the Code of Ethics. Risks are also mitigated by using various tools for example audit and training programmes.

Following COVID-19, risks related to the supply chain have heightened, but to date they have been effectively managed (e.g. one supplier was unable to fulfil an order, however an alternative has been found). The ports that the company are using remain operational.

(v) Credit risk: arising from the possible default of a counterparty. Following the sale of North Sea assets to new market entrants or to clients with whom the company has no historic relationship with, this risk has become more apparent. In addition, projects within the renewable wind farm sector are typically project financed rather than equity backed. This adds levels of complexity when determining credit risk and suitable mitigations. Credit assessments are made using a Saipem Group tool and where necessary guarantees from a bank or parent are sought, or mitigating contractual terms agreed.

Risks related to IT and changes in exchange rates and commodity prices are managed on behalf of the Saipem Group by the ultimate parent, Saipem S.p.A. For more details go to www.saipem.com

Key performance indicators (KPIs)

The Saipem Group sets and manages performance indicators for the E&C Offshore Division at a segmental and geographical level, and the company is assessed in accordance with its actual versus forecasted performance at those levels. In addition, the directors consider the following company KPIs as being particularly useful for the needs of other stakeholders referring to these financial statements.

Strategic report (continued)

(i) Safety: the Total Recordable Injury Frequency Rate (TRIFR) is used as an indicator of safety performance and is calculated using an industry standard formula to provide an accident rate based on one million worked hours.

Key performance indicators (KPIs) (continued)

(i) Safety (continued)

The performance for the past two years compared to target is as follows:

	2019	2018
Achieved TRIFR	0.87	0.28
Target	0.61	0.61

(ii) Client satisfaction: clients are requested to provide feedback on the company's overall performance by completing a questionnaire. The questionnaire covers the overall performance of the company during the life of a project, over various disciplines. Clients are asked to score performance in various disciplines within the range 0 to 10, with 10 being the highest score. The company's performance during 2019 resulted in an average score of 8.28 (2018 – 7.83).

(iii) Liquidity: the current ratio is the ratio of current assets to current liabilities, calculated by diving one by the other. The ratio provides a short-term view of liquidity. The current ratio as at 31 December 2019 is 1.08 (31 December 2018 1.13). The value of non-current assets also exceeded non-current liabilities in both 2019 and 2018.

The company's cash and cash equivalents as at 31 December 2019 totalled €138,357 thousand (31 December 2018 €62,760 thousand) and in conjunction with the overall current ratio, demonstrates a high level of liquidity which will support the company's ability to continue in its operations during these unprecedented times.

Duty to promote the success of the company

The directors have a statutory duty to promote the success of the company and in doing so have regard to (amongst others) the following aspects:

(i) Long-term planning

Projects typically last between 2 and 4 years, however once early engagement and tendering activities are factored in, the time frame can easily extend to 5 years and beyond. The directors consider the long-term consequences of decisions on a range of matters including dividend distribution, strategic alliances, innovation and development, human resource planning and so forth. For example, prior to a dividend distribution a detailed analysis and review is made to ensure sufficient liquidity to support project cash flows, overhead outgoings and the potential needs of other stakeholders for example the pension fund detailed in note 13.

Strategic report (continued)

Duty to promote the success of the company (continued)

(ii) The interests of employees

The directors view company employees as highly valued assets, pivotal to the company's ongoing success. The ability to attract and retain highly qualified personnel, competent and inspiring management and support staff capable of managing the growth of the company, is a continued key area of focus and one which will ensure ongoing sustainability, particularly in these dynamic times.

During 2019 the company recruited 22 graduates who will embark on a range of programmes with the longer-term development and success of the company in mind. Each graduate has been assigned a Mentor to support them on their journey. Participative workshops were held developing Managers' capability to manage performance and development through the engagement, motivation and empowerment of employees. As a result, employees now take a more active role in determining their goals and objectives and in determining their development and career pathways. The company enjoys a close relationship with the Engineering and Construction Industry Training Board and was awarded a Highly Commended 'Large Employer of the Year Award'.

During 2019 a 'FlexAbility' study was carried out which looked at ways the company could respond to the changing needs of current and prospective employees whilst further promoting and enhancing a collaborative culture. The results of the study have led to a number of positive changes, with further to follow in 2020. The company expects and will ensure that the FlexAbility initiatives will result in improvements in effectiveness.

Other ongoing initiatives centred around employee needs include pension contributions above the statutory requirement, gym membership subsidy, sports and social clubs etc.

(iii) Fostering good business relationships

The company works towards achieving long-lasting relationships and making progressive improvements in the value supply chain.

Relationships with partners begin with an appropriate level of screening. Due diligence activities are performed at Saipem Group level, the results of which are reviewed by us, the Directors. If positive, the company then seeks to ensure that the objective and accountabilities of the arrangement are clearly defined.

The company endeavours to offer solutions to clients that meet their dynamic needs. In particular the company, as a complete EPCI contractor, can assist in mitigating the risk profile evaluated by the financing institutions, thus assisting our clients in securing the lending required.

We understand that conditions in both the oil and gas and renewable markets are changing and evolving rapidly, not only in relation to technical aspects but also the commercial and contractual aspects and we are supporting clients in the application of new models and profiles.

The company believes that it is in the interests of all and the wider industries as a whole to foster good business relations in a sustainable and responsible manner.

Strategic report (continued)

Duty to promote the success of the company (continued)

(iv) Operational impacts on the environment and community

As part of the wider Saipem Group, the company is committed to protecting the natural habitat. During 2019 the company implemented its 'Eco Operations' programme, an initiative aimed at increasing vessel operational efficiency, with respect to the vessels owned by other Saipem Group companies and leased by the company on a short-term, operational basis. The key objective of the programme is to identify and introduce, vessel by vessel, the best measures or practices in order to minimise greenhouse gas emissions and to nurture cultural change towards on-going environmental awareness.

(v) High standards of business conduct

Integral to our company culture are values centred around high standards of business conduct. The Saipem Group Code of Ethics, adopted by the company clearly defines our values and codes. This is available via the following: https://www.saipem.com/en/identity-and-vision/business-ethics

The Saipem Leadership model is a model relevant to all of the company's employees. It is promoted and embedded into day to day activities, for example via monitored performance objectives. The model involves 6 pillars:

- People – we build relationships based on credibility and trust; we believe in co-operation.
- Vision – we address the present while building for the long term with innovative solutions and continuous improvement.
- Communication – we value sharing and transparent communication.
- Decision Making – we take decisions in an informed and responsible way, conscious of their long-term effects.
- Knowledge – we develop solid competences and encourage know how transfer.
- Integrity – we live our values and do the right thing.

(vi) Shareholders

The company is wholly owned by one shareholder, for details refer to note 16.

Future developments

The NnG EPCI contract awarded in 2019 marked a key milestone in pursuit of our strategy to become a notable player for large offshore windfarm developments and, more extensively, in the sphere of energy transition. This important achievement has been made possible due to our capabilities and expertise in engineering, fabrication and installation as well as Saipem Group assets, enabling the company to execute an offering across the whole value chain. Our collaboration with the client and supply chain will allow us to contribute to the generation of 450 megawatts of green energy. The company is confident it has the capabilities to deliver this challenging project to the satisfaction of all stakeholders and to build a sustainable presence in the sector.

Global demand currently relies upon a variety of energy sources and for this reason the company will remain active and improve its participation in the conventional oil and gas industry. Continued innovation and collaboration combined with a focus on efficiency and productivity will enable sustainable growth in highly competitive markets.

Strategic report (continued)

Future developments (continued)

Part of this will involve the company targeting rigid reeling projects in the Norwegian Continental Shelf as well as other targets.

On behalf of the Board

Paolo Formica
Managing Director
28th May 2020

Directors' report

The directors present their report for the year ended 31 December 2019.

Directors

The directors, who served the company during the year, and up to the date of this report, unless otherwise stated below, were as follows:
Paolo Formica
Ilario Manetti (resigned 8 February 2019)
Dominique Jean Seng (appointed 7 December 2018 and resigned 6 May 2020)
Massimiliano Guerra (appointed 26 November 2018)

Indemnity insurance

The company has indemnity insurance in place for directors and officers.

Dividends

Information on dividends paid and the directors' dividend decision making is provided within the Strategic report in sections 'Results and Dividends' on page 2 and 'Long Term Planning' on page 6.

Going concern

The directors have considered the going concern of the company and have concluded that it is appropriate to produce the accounts on the going concern basis. Further details are provided in note 2 to the financial statements.

Employees and engagement

The company will avoid unlawful discrimination in all aspects of employment including recruitment, promotion, opportunities for training, pay and benefits, discipline and selection for redundancy. Job Descriptions will be limited to those requirements that are necessary for the effective performance of the job.

Candidates for employment or promotion will be assessed objectively against the requirements for the job, taking account of any reasonable adjustments that may be required for candidates with a disability. Disability will not form the basis of employment decisions.

The company will consider any possible indirectly discriminatory effect of its standard working practices. Examples of this include; the number of hours to be worked, the times at which these are to be worked and the place at which work is to be done. The company will refuse such requests only if it considers it has good reasons, unrelated to any prohibited ground of discrimination. The company will comply with its statutory obligations in relation to flexible working requests. The company will also make reasonable adjustments to its standard working practices to overcome barriers caused by disability.

The company cannot lawfully discriminate in the selection of employees for recruitment or promotion, but the company may use appropriate lawful methods, including lawful positive action, to address the underrepresentation of any group which the company identifies as being under-represented in particular types of job.

Directors' report (continued)

Employees and engagement (continued)

The company seeks to enable employees to fulfil their personal and professional potential by providing an inclusive work environment that is free of harassment and bullying, where everyone is treated equally with respect and dignity, regardless of gender, gender identity, sexual orientation, marital/civil partnership or family status, colour, race, nationality, ethnic or national origins, creed, culture, religion or belief, age, disability or any other personal factor or quality. The company is committed to providing equal opportunities in all aspects of work, development and promotion and to avoid unlawful discrimination of employees and third parties.

Consultation with employees or their representatives continued at all levels during 2019. We found that our employees were seeking greater insight into the company's development and more empowerment and flexibility. A series of town hall style meetings took place in the year covering performance and strategic direction as well as HSE related topics, equipping employees to identify their individual contribution to the company's future success. In addition, employee benefits were enhanced and a programme of 'FlexAbility' introduced.

Fostering business relationships

Details on how the company fosters business relationships are disclosed within the Strategic report on page 7.

Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and the Financial statements

The directors are responsible for preparing the Strategic report, Directors' report and the Financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that

Directors' report (continued)

Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and the Financial statements (continued)

are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed reappointed and KPMG will therefore continue in office.

Disclosure of information to the auditor

The directors who served at the time of approving the Directors' report are listed on page 1.

Having made enquiries with fellow directors and the company's auditor, the directors confirm that:

- to the best of each director's knowledge, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware.
- they have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board

Paolo Formica
Managing Director
28th May 2020

Independent auditor's report

to the members of Saipem Limited

Opinion

We have audited the financial statements of Saipem Limited ("the company") for the year ended 31 December 2019 which comprise the statement of financial position, statement of income, statement of comprehensive income, and statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report (continued)

to the members of Saipem Limited

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report (continued)

to the members of Saipem Limited

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Malcolm Footer

Malcolm Footer (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square,

London
E14 5GL

28th May 2020

Statement of financial position

to the members of Saipem Limited

(€ thousands)	Note	2019	** At 1 January 2019	* 2018
Non current assets				
Intangible assets	4	6	12	12
Property, plant and equipment	5	65,888	76,964	60,054
Financial receivables for leasing	11	475	590	-
Investment in a subsidiary	6	1	-	-
Deferred tax assets	7	1,510	2,998	2,998
Other non current assets		194	199	199
Current assets				
Inventories	8	3,520	3,420	3,420
Contract assets	9	3,597	3,495	3,495
Trade and other receivables	10	135,277	148,993	148,412
Financial receivables for leasing	11	182	232	-
Fair value of hedging derivatives	12	5,608	3,878	3,878
Cash and cash equivalents		138,357	62,760	62,760
Total assets		**354,615**	**303,541**	**285,228**
Non current liabilities				
Lease liabilities	11	8,222	10,111	-
Fair value of hedging derivatives	12	297	89	89
Deferred tax liabilites	7	1,686	1,652	1,158
Provisions	13	13,902	8,763	5,549
Current liabilities				
Trade and other payables	14	139,104	148,288	150,612
Contract liabilities	9	104,572	33,282	33,282
Lease liabilities	11	3,684	4,407	-
Income taxes payable	15	786	714	714
Fair value of hedging derivatives	12	5,898	5,840	5,840
Total liabilities		**278,151**	**213,146**	**197,244**
Equity				
Share capital	16	7,500	7,500	7,500
Cash flow hedge reserve	16	(2,042)	(1,336)	(1,336)
Other reserves	16	(4,769)	(4,817)	(4,817)
Retained earnings	16	75,775	89,048	86,637
Total equity		**76,464**	**90,395**	**87,984**
Total liabilities and equity		**354,615**	**303,541**	**285,228**

*Presentation updated in compliance with FRS 101. Prior year figures remain the same.
** Opening balance restated due to the application of IFRS 16 Leases.

Paolo Formica

Paolo Formica, Managing Director
28th May 2020

Statement of income

For the year ended 31 December 2019

(€ thousands)	Note	2019	2018
Revenue	18	474,020	480,902
Cost of sales		(445,320)	(467,626)
Gross profit		**28,700**	**13,276**
Administrative expenses	17	(18,601)	(17,086)
Operating profit / (loss)		**10,099**	**(3,810)**
Net finance (expense)		**(1,042)**	(108)
Profit / (loss) before tax		**9,057**	**(3,918)**
Income tax (expense) / credit	23	(1,803)	1,569
Profit / (loss) for the year		**7,254**	**(2,349)**

Statement of comprehensive income

For the year ended 31 December 2019

(€ thousands)	Note	2019	2018
Profit / (loss) for the year		**7,254**	**(2,349)**
Items that will be reclassified to income statement in future periods			
Movement on cashflow hedges		(872)	(3,671)
Movement on related tax	23	166	697
Items that will not be reclassified to income statement in future periods			
Actuarial gains / (losses) related to pension scheme	13	200	(288)
Movement on related tax	23	(152)	55
Reversal of tax recognised on IFRS 9 adoption	23	(527)	
Total other comprehensive loss net of income tax		**(1,185)**	**(3,207)**
Total comprehensive income / (loss)		**6,069**	**(5,556)**

Statement of changes in equity

For the year ended 31 December 2019

(€ thousands)	Share Capital	Cash flow hedge reserve	Other reserves	Retained earnings	Total equity
At 1 January 2018	**7,500**	**1,638**	**(4,584)**	**158,986**	**163,540**
Loss for the year	-	-	-	(2,349)	**(2,349)**
Other comprehensive (loss) / income	-	(2,974)	(233)	-	**(3,207)**
Total comprehensive income for the period	**-**	**(2,974)**	**(233)**	**(2,349)**	**(5,556)**
Dividends paid	-	-	-	(70,000)	(70,000)
Total distributions to the shareholder	**-**	**-**	**-**	**(70,000)**	**(70,000)**
As at 31 December 2018	**7,500**	**(1,336)**	**(4,817)**	**86,637**	**87,984**
Adjustment on initial application of IFRS 16 (net of tax)				2,411	**2,411**
Adjusted balance at 1 January 2019	**7,500**	**(1,336)**	**(4,817)**	**89,048**	**90,395**
Profit for the year	-	-	-	7,254	7,254
Reversal of tax on IFRS 9 adoption	-	-	-	(527)	(527)
Other comprehensive loss	-	(706)	48	-	(658)
Total comprehensive income for the period	**-**	**(706)**	**48**	**6,727**	**6,069**
Dividends paid	-	-	-	(20,000)	(20,000)
Total distributions to the shareholder	**-**	**-**	**-**	**(20,000)**	**(20,000)**
At 31 December 2019	**7,500**	**(2,042)**	**(4,769)**	**75,775**	**76,464**

Shareholder's equity information is disclosed in note 16.

Dividends paid during the year amounted to €20,000 thousand. This is equal to €2.67 per share.

Notes to the financial statements

For the year ended 31 December 2019

1 Corporate Information

The financial statements of Saipem Limited (the "company") for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 28 May 2020. The company was incorporated under the Companies Act 2006 as a private company on 18 March 2010. The company is a limited liability company incorporated by shares and domiciled in England. The registered number is 07195109.

The registered office is located at Saipem House, 12 – 42 Wood Street, Kingston upon Thames, Surrey, KT1 1TG, United Kingdom.

The company provides offshore engineering, procurement, construction, installation, removal, subsea and project management services to the oil, gas and renewable industries. Services are offered on a turn-key, integrated or stand-alone basis. The company operates in the North Sea and Baltic areas and also supports Saipem group operations in other strategic regions.

2 Accounting policies

2.1 Basis of preparation

In preparing these financial statements, the company applies the recognition and measurement of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) but makes amendments where necessary in order to comply with the Companies Act 2006.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In the transition to FRS 101 from Adopted IFRS, the company has made no measurement and recognition adjustments. The company has taken advantage of the following disclosure exemptions under FRS 101:

- Cash Flow Statement and related notes
- Certain disclosures regarding revenue,
- Certain disclosures regarding leases,
- Comparative period reconciliations (share capital, tangible fixed assets, intangible assets)
- Disclosures in respect of transactions with wholly owned subsidiaries,
- Disclosures in respect of capital management,
- The effects of new but not yet effective IFRSs,
- Disclosures in respect of the compensation of Key Management Personnel, and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

The company's ultimate parent undertaking, Saipem S.p.A includes the company in its consolidated financial statements. The consolidated financial statements of Saipem S.p.A are prepared in accordance with IFRS and are available to the public.

As the consolidated financial statements of Saipem S.p.A. include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Notes to the financial statements (continued)

For the year ended 31 December 2019

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides (including from the impact of the COVID-19 global pandemic), the company will have sufficient funds, through its cash reserves, and in downside cases funding from its ultimate parent company, Saipem SpA, to meet its liabilities as they fall due for that period.

Saipem SpA has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The company's financial statements are presented in euro and all values are rounded to the nearest thousand euro (€000) except when otherwise indicated.

The company's financial statements are prepared on the historical cost basis except for certain financial assets and financial liabilities (including derivatives) measured at fair value.

2.2 Changes in accounting policies and disclosures

The company has applied IFRS 16 using the modified retrospective with cumulative effect method, by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balances at 1 January 2019. The disclosure requirements in IFRS 16 have not been applied to comparative information. The following table shows the monetary impact of adoption of IFRS 16.

Notes to the financial statements (continued)

For the year ended 31 December 2019

2 Accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(€ thousands)	At 1 January 2019	Impact of IFRS 16 adoption	At 31 December 2018
Non current assets			
Property, plant and equipment	76,964	16,910	60,054
Financial receivables for leasing	590	590	-
Current assets			
Trade and other receivables	148,993	581	148,412
Financial receivables for leasing	232	232	-
Non current liabilities			
Lease liabilities	10,111	10,111	-
Deferred tax liabilites	1,652	494	1,158
Provisions	8,763	3,214	5,549
Current liabilities			
Trade and other payables	148,288	(2,324)	150,612
Lease liabilities	4,407	4,407	-
Equity			
Retained earnings	89,048	2,411	86,637

When measuring the lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.69%.

The table below summarises the operating lease commitments as at 31 December 2018 and the lease liability recognised in accordance with IFRS 16 as at 31st December 2019.

(€ thousands)	Current	Non Current	Total
Lease liability (IFRS 16) at 31 December 2019	3,684	8,222	**11,906**
Non-cancellable operating leases at 31 December 2018	3,863	11,273	**15,136**

Definition of a lease
Previously the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The company now assesses whether a contract is or contains a lease based on the definition of a lease. On transition to IFRS 16, the company elected to apply the practical expedient to apply contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Notes to the financial statements (continued)

For the year ended 31 December 2019

2 Accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

As a lessee
The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most of these leases, these leases are on-balance sheet.

Right-of-use assets were measured at an amount equal to the lease liability. The company applied this approach to all other leases.

The company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment)
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

As a lessor
The company is not required to make any adjustments on transition for leases in which it is a lessor, except for a sub-lease.

On transition, the company has reassessed subleases in existence at 1 January 2019 that were classified as operating leases under IAS 17, to determine whether each sublease should be classified as an operating lease or finance lease under IFRS 16. This assessment was performed at 1 January 2019 considering the remaining contractual terms and conditions of the head lease and the sublease at that date, with reference to the right-of-use asset rather than the underlying asset.
The company has both Finance and Operating subleases. For subleases that were previously classified as operating leases under IAS 17 but finance leases on transition to IFRS 16, the company has accounted for these subleases as if it were a new finance lease entered into at 1 January 2019.

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make accounting estimates based on complex or subjective judgements, 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 statement of financial position 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 the financial statements that are considered critical because they require management to make such estimations.

Notes to the financial statements (continued)

For the year ended 31 December 2019

2 Accounting policies (continued)

2.4 Judgements and key sources of estimation uncertainty

Contract assets

Contract assets for long-term contracts for which estimates are necessary, has a significant subjective component measured based on estimated revenues and costs over the full life of the contract. Contract assets 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

The company assesses its property, plant and equipment and intangible assets for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets are not 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 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 recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the use of the asset, net of disposal costs. The expected future cash flows used for impairment reviews are based on judgemental assessments of future variables such as prices, costs, and demand growth rate considering the information available at the date of the review.

Pension assumptions

The calculations for the Snamprogetti Retirement Benefits Scheme ('Snamprogetti scheme') are based on the liabilities determined at the funding valuation as at 31 December 2016 adjusted by:

- Allowing for the financial and demographic assumptions selected at 31 December 2019, and
- Rolling forward the liabilities to 31 December 2019 in an approximate manner.

As the results have been rolled forward since the previous valuation, they will differ from the results if a full actuarial valuation was performed at 31 December 2019, as they only allow for known material experience items that affect the financial position of the Scheme such as:

- Investment returns
- Changes in financial assumptions, and
- Pension increases.

There is no allowance for any other items that might affect the financial position (e.g. unexpected membership movements). The membership data was provided by the Scheme's administrator as at 31 December 2016.

Sensitivity analysis regarding the potential impact of a change in discount rate on the pension obligation is set out in note 13.

Both assets and liabilities exclude the value of defined contribution AVCs. Both assets and liabilities include the value, using the IAS 19 assumptions, of insured pensions in payment. Actual contributions paid and benefit payment details for the period 1 January 2019 to 30 September 2019. Cashflows for the remainder were estimated.

Provisions

The company records provisions for contingencies primarily in relation project risk, dilapidations and defined benefit pensions. Determining appropriate amounts for provisions is a complex estimation process that includes subjective judgements.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3 Summary of significant accounting policies

Inventories

Inventories, except for contract assets are stated at the lower of purchase or production cost and net realisable value. Net realisable value is defined as the estimated selling price of the inventory in the ordinary course of business. The cost of inventories is determined by applying the weighted average cost method on a monthly basis.

Contract assets

Contract assets relating to long-term contracts is stated based on 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 proportion that contract costs incurred for work performed to date is as a proportion of the estimated total contract costs (i.e. cost-to-cost method). Adjustments made for the economic effects of using this method with respect to previously recognised revenue are included under contract assets if positive or under trade payables and other payables, as contract liabilities, if negative. When hedged by derivative contracts qualifying for hedge accounting, revenues denominated in foreign currencies are translated at the contracted rates. The same method is used for costs denominated in a foreign currency. The valuation of contract assets considers all directly related costs, contractual risks and contract revision clauses, where they can be reliably estimated. 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 as expenses immediately. Bidding costs are expensed in the period in which they are incurred unless they are incremental costs of obtaining a contract and are therefore capitalised.

The company calculates the IFRS 9 impact on contract assets by reference to a loss given default multiplied by the probability of default (PD), derived from the median of Bloomberg Default Risk, Rating Default Risk assigned by three leading rating agencies (S&P, Moody's and Fitch), Credit Default Swap Derived Default Risk and Bond Derived Default Risk. PD is estimated for each singular counterparty, or if not possible, with reference to their parent or ultimate parent company. Receivables from related parties past due in excess of 1 year have been impaired by 60%. The impact of this standard was not significant for third parties.

Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is considered current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The company classifies all other liabilities as non-current.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

Financial instruments

The company classifies its financial assets and financial liabilities depending on the purpose for which they are acquired. Management determines the classification at initial recognition.
The fair value of derivative instruments is 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) is determined by comparing the net present value at contractual conditions of forward contracts outstanding at December 31, 2019, with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the year-end exchange rate and the respective forward interest rate curves.
The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial liabilities

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date and only if the conditions in IFRS 9 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets and are carried at amortised cost, less any impairment losses.

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The company calculates Estimated Credit Losses on all third party trade receivables (including accruals) by reference to a loss given default multiplied by the probability of default (PD), derived from the median of Bloomberg Default Risk, Rating Default Risk assigned by three leading rating agencies (S&P, Moody's and Fitch), Credit Default Swap Derived Default Risk and Bond Derived Default Risk. PD is estimated for each singular counterparty, or if not possible, with reference to their parent or ultimate parent company. With regard to receivables from Saipem group companies and related parties, ECLs are calculated on receivables that are past due in excess of 1 year, by an amount of 60%.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Property, plant & equipment

Property, plant and equipment 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, the cost may include the borrowing costs incurred that would otherwise have been saved had the investment not been made. Property, plant and equipment are not re-valued for financial reporting purposes.

Expenditures on renewals, improvements and transformations that extend the useful lives of the related asset are capitalised. Property, plant and equipment, from the moment they begin or should begin to be used, 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 property, plant and equipment comprise more than one significant element with different useful lives, each component is depreciated separately. The depreciable amount of an asset is its cost less the estimated residual value at the end of its useful life, if this is significant and can be reasonably determined. Ordinary maintenance and repair costs are expensed when incurred. The carrying value of property, plant and equipment is reviewed for impairment whenever events indicate that the carrying amounts for those assets may not be recoverable. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as impairment in the statement of income. If the reasons for impairment cease to exist, the impairment loss is reversed to the statement of income as income from reversal of impairment. The value of the asset is written back to the lower of the recoverable amount and the original book value before impairment and net of any depreciation that would have been incurred had no impairment loss been recognised.

Intangible assets

Intangible assets are assets without physical substance, controlled by the company and capable of producing future economic benefits. An asset is classified as intangible when management is able to distinguish it clearly from goodwill. This condition is normally met when: (i) the intangible asset arises from legal or contractual rights, or (ii) the asset is separable, i.e. can be sold, transferred, licensed, rented or exchanged, either individually or as an integral part of other assets. An entity controls an asset if it has the ability to obtain the future economic benefits related to an asset and to restrict the access of others to those benefits. Intangible assets are initially stated at cost as determined by the criteria used for property, plant and equipment and the useful lives of intangible assets are assessed to be either finite or indefinite.

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. Amortisation expense on intangible assets are included in the cost of sales line of the statement of income.

Leases

The company has adopted IFRS 16 Leases effective from annual periods beginning on or after 1 January 2019. At the inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The company recognises a right-of-use asset and a lease liability at the lease commencement date or on modification of a contract that contains a lease component. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability

Notes to the financial statements (continued)

For the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Leases (continued)

adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The company presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'Lease Liability' in the statement of financial position.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Investment in a subsidiary

The subsidiary has been accounted for via the cost method.

Provision for contingencies

Provisions are recognised when: (i) there is a present obligation (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 statement of financial position date.

The amount of the provision recognised for onerous contracts is the lower of the cost necessary to fulfil the obligations, net of expected economic benefits deriving from the contracts, and any compensation or penalties arising from failure to fulfil these obligations. Provisions are periodically updated to show the variations in estimates of costs. The estimated revisions of the provisions are recognised in the same statement of income line item that previously held the provision. In the notes to the 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 dilapidations are made by considering future cash outflows, discounted using a risk free rate.

Employee benefits

Post-employment benefit plans, including constructive obligations, are classified as either 'defined contribution plans' or 'defined benefit plans' depending on the economic substance of the plan as derived from its principal terms and conditions. After a transfer of trade from Snamprogetti Limited which occurred in 2011 the company became a sponsoring employer of the defined benefit Snamprogetti scheme. Actuarial valuations are commissioned periodically. IAS 19 valuation reports for the Snamprogetti scheme were carried out by independent actuary as at 31 December 2019, which the company utilised in recognising its share of underlying assets and liabilities. Further information is disclosed in notes 2 and 13.

The company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset). The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid. Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the income statement.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Revenues

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenues related to contract work-in-progress are recognised on the basis of contractual revenues, with reference to the stage of completion determined using the cost-to-cost method. Revenues for contract work-in-progress in a foreign currency are recognised at the euro exchange rate on the date the stage of completion of a contract is measured with the customer. This value is adjusted to consider exchange differences arising on derivatives that qualify for hedge accounting. 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 related amount. Claims, deriving for example from additional costs incurred for reasons attributable to the client, are included in the total amount of revenues only, when it is probable that the client will accept them. Revenues associated with sales of products and services, except for contract assets 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, provided this can be measured reliably and that there is no significant uncertainty regarding the collectability of the amount and the related costs. When the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are expected to be recoverable. Revenues are stated net of returns, discounts, rebates, bonuses and direct tax.

Costs

Costs are recognised when the related goods and services are sold, consumed or allocated, or when their future benefits cannot be determined. Operating leases include; those that do not meet the criteria of a lease under IFRS 16, leases that are short term (less than one year) and/or those with a value of USD 5 thousand or less. Operating lease costs are recognised in the statement of income. 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.

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.

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, or where hedged, the contracted rates. Monetary assets and liabilities in currencies other than the functional currency are converted by applying the year-end exchange rate or where hedged, the contracted rates. Non-monetary assets and liabilities denominated in currencies other than the functional currency are translated at the initial exchange rate.

Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Income taxes

Current income taxes are determined based on estimated taxable income. 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 statement of financial position 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 only to the extent, that their realisation is considered probable.

Derivatives

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement. When the forecast transaction subsequently results in the recognition of a non-financial item the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability. For all other hedged forecast transactions, the associated cumulative gain or loss is reclassified to the income statement in the same period or periods during which the hedged expected future cash flows affects the income statement. When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4 Intangible assets

(€ thousands)	Intangible assets
Cost:	
At 1 January 2019	954
Additions	1
At 31 December 2019	955
Accumulated amortisation and impairment:	
At 1 January 2019	942
Amortisation for the year	7
At 31 December 2019	949
Net book value:	
At 1 January 2019	12
At 31 December 2019	6

5 Property, plant and equipment

(€ thousands)	Land and buildings	Fixures, fittings, tools and equipment	Plants and machinery	Offshore equipment	Total
Cost:					
At 31 December 2018	-	7,624	140,443	2,880	**150,947**
Right of use assets on initial application of IFRS 16	16,910	-	-	-	**16,910**
At 1 January 2019	16,910	7,624	140,443	2,880	**167,857**
Additions	-	570	3,062	-	**3,632**
At 31 December 2019	16,910	8,194	143,505	2,880	**171,489**
Accumulated depreciation:					
At 31 December 2018	-	7,243	80,863	2,787	**90,893**
At 1 January 2019	-	7,243	80,863	2,787	**90,893**
Depreciation charge in the year	3,759	159	10,713	77	**14,708**
At 31 December 2019	3,759	7,402	91,576	2,864	**105,601**
Net book value:					
At 31 December 2018	**-**	**381**	**59,580**	**93**	**60,054**
At 1 January 2019	**16,910**	**381**	**59,580**	**93**	**76,964**
At 31 December 2019	**13,151**	**792**	**51,929**	**16**	**65,888**

Notes to the financial statements (continued)

For the year ended 31 December 2019

5 Property, plant and equipment (continued)

Depreciation is applied as follows:

Right of use assets	Over remaining lease life
Fixtures, fittings, tools and equipment	10 - 33 % per annum
Plants and machinery	5 - 10 % per annum
Offshore equipment	20% per annum

Land and buildings includes the right of use assets of three office rentals. Further details are included in note 11.

Plants and machinery comprise of the company's fleet of remotely operated vehicles.

At 31 December 2019, all property, plant and equipment are free from pledges, mortgages and/or other obligations. The total commitment on current items of capital expenditure at 31 December 2019 was €nil (31 December 2018 - €nil).

6 Investment in a subsidiary

During the year the company made an investment of €1 thousand, in a newly formed subsidiary.

Company name: Saipem Guyana Inc.
Registered address: Lot 225 New Market Street, Georgetown, Guyana.
Holding: Ordinary shares
Ownership: 100%
Auditor: TSD LAL & CO, 77 Brickdam, Stabroek, Georgetown, Guyana.

The subsidiary made a loss of €57 thousand as at year ended 31st December 2019, due to initial set up related service costs. The company has the will and capacity to support the subsidiary.

7 Deferred tax

(€ thousands)	At 31 December 2018	IFRS 16 adoption	At 1 January 2019	Recognised in income	Recognised in equity	At 31 December 2019
Tax on impairment of two ROVs	370	-	370	(37)	-	333
Tax on impairment of receivables	525	-	525	-	(527)	(2)
Tax on cash flow hedge	313	-	313	-	166	479
Tax on Snamprogetti Pension Scheme	890	-	890	(37)	(153)	700
Tax on loss	900	-	900	(900)	-	-
Deferred tax assets	**2,998**	**-**	**2,998**	(974)	(514)	**1,510**
Tax on accelerated capital allowances	1,158	-	1,158	(14)	-	1,144
Tax on initial application of IFRS 16	-	494	494	-	-	494
Tax on employee incentives	-	-	-	48	-	48
Deferred tax liabilities	**1,158**	**494**	**1,652**	**34**	**-**	**1,686**

Notes to the financial statements (continued)

For the year ended 31 December 2019

7 Deferred Tax (continued)

(€ thousands)	At 1 January 2018	Recognised in income	Recognised in equity	At 31 December 2018
Tax on the impairment of two ROVs	370	-	-	370
Tax on impairment of receivables	525	-	-	525
Tax on cash flow hedge	-	-	313	313
Tax on Snamprogetti Pension Scheme	822	13	55	890
Tax on employee incentives	4	(4)	-	-
Tax on loss	-	900	-	900
Deferred tax assets	**1,721**	**909**	**368**	**2,998**
Tax on cash flow hedge	384	-	(384)	-
Tax on accelerated capital allowances	1,006	152	-	1,158
Deferred tax liabilities	**1,390**	**152**	**(384)**	**1,158**

The company has foreign tax credits of €1,476 thousand (31 December 2018 - €1,243 thousand) on which no deferred tax asset has been recognised as the directors do not consider there to be enough certainty that they will be recovered. These tax credits have no fixed expiry date. There are no temporary differences or unused tax losses.

8 Inventories

(€ thousands)	2019	2018
Raw and auxiliary materials and consumables	3,759	3,543
Provision for slow moving materials and goods in transit	(239)	(123)
Total	**3,520**	**3,420**

The amount of inventories recognised as an expense during the period totalled to €2,656 thousand (2018 - €2,082 thousand).

9 Contract assets and liabilities

The table below details the contract balances:

(€ thousands)	2019	2018
Contract assets	3,597	3,495
Contract liabilities	104,572	33,282

Contract assets are recognized on a cost input method, to which the expected mark-up is then applied for each performance obligation. This calculation will then give rise to a contract asset or a contract liability.

Notes to the financial statements (continued)

For the year ended 31 December 2019

10 Trade and other receivables

Trade and other receivables are detailed in the table below.

(€ thousands)	2019	2018
Trade receivables	10,732	14,378
Amounts recoverable on long term contracts with third parties	2,010	3,599
Allowance for expected credit loss on third party receivables	(132)	(11)
Net trade receivables from third parties	**12,610**	**17,966**
Amounts owed by related parties	33,719	37,996
Amounts recoverable on long term contracts with related parties	87,312	92,923
Allowance for expected credit loss on related party receivables	(2,939)	(2,790)
Net receivable from related parties	**118,092**	**128,129**
Current tax assets	2,418	1,373
Other current assets	937	193
Prepayments	1,220	751
Total	**135,277**	**148,412**

11 Leases

The company was a lessee of three office buildings which generated the following right of use assets and amounts recognised in the income statement, during the year.

Right-of-use assets related to lease properties are presented as land and buildings within property, plant and equipment (see note 5).

(€ thousands)	Total
Balance at 1 January 2019	16,910
Depreciation charge for the year	(3,759)
Balance at 31 December 2019	**13,151**

Amounts recognised in the income statement:

2019 – The following amounts have been recognised in the income statement for which the company is a lessee under IFRS 16

(€ thousands)	Total
Interest expense on lease liabilities	(734)
Expenses relating to short term leases	(33,268)
Income from subleasing right-of-use assets presented in revenue	324
Total	**(33,678)**

2018 – Operating leases under IAS 17

(€ thousands)	Total
Operating leases	(119,955)
Income from subleasing presented in revenue	132
Total	**(119,823)**

Notes to the financial statements (continued)

For the year ended 31 December 2019

11 Leases (continued)

Leases as a lessor

From 2020 onwards the company shall sub-lease part of right of use building assets located in the UK and Norway, on similar terms to the head-lease including break clauses.

The following table sets out the maturity of lease payments receivable, showing the undiscounted lease payments to be received after the reporting date:

(€ thousands)	Total
Less than one year	209
Between one and two years	185
Between two and three years	185
Between three and four years	138
Between four and five years	-
More than five years	-
Total undiscounted receivables from subleasing	**717**
Unearned finance income	(60)
Net financial receivables from subleasing	**657**

12 Financial instruments

The fair values of the derivative financial assets and financial liabilities used to manage market risk for changes in foreign exchange rates are shown by class together with their carrying amounts in the balance sheet, as follows:

€ thousands	Fair Value 2019
Financial assets designated as fair value through the income statement:	
Currency swaps	911
Currency forward outrights	4,697
Total (current assets)	**5,608**
Financial liabilities designated as fair value through the income statement:	
Currency swaps	(978)
Currency forward outrights	(4,920)
Total (current liabilities)	**(5,898)**
Currency forward outrights	(297)
Total (non current liabilities)	**(297)**

Details regarding the methods used in establishing all financial instruments held at fair value and the observations and assumptions used are detailed in Note 3.

Notes to the financial statements (continued)

For the year ended 31 December 2019

12 Financial instruments (continued)

The following table shows the contractual maturities of the derivative financial liabilities and assets:

At 31 December 2019	less than 3 months	3 to 12 months	1 to 5 years	Total
Derivative financial liabilties				
Foreign exchange forward contracts on purchases	980	1,228	297	2,505
Foreign exchange forward contracts on sales	684	2,028	-	2,712
Foreign exchange swaps on purchases	947	-	-	947
Foreign exchange swaps on sales	31	-	-	31
Total liabilities	**2,642**	**3,256**	**297**	**6,195**
Derivative financial assets				
Foreign exchange forward contracts on purchases	1,632	2,028	-	3,660
Foreign exchange forward contracts on sales	697	340	-	1,037
Foreign exchange swaps on purchases	428	-	-	428
Foreign exchange swaps on sales	405	78	-	483
Total assets	**3,162**	**2,446**	**-**	**5,608**

13 Provisions

Provisions related to IFRS 9 Financial Instruments are described in Note 2 Accounting Policies and are disclosed in Note 10 Trade and other receivables.

(€ thousands)	**Provisions for risks and charges**	**Provisions for employee benefits**	***Provisions for restoration costs**	**Total**
As 1 January 2019	**864**	**4,685**	**3,214**	**8,763**
Used during the year	(864)	(366)	-	**(1,230)**
Made during the year	6,406	-	162	**6,568**
Actuarial gains	-	(200)	-	**(200)**
At 31 December 2019	**6,406**	**4,119**	**3,376**	**13,901**

* The balance at 1 January 2019 includes the effect of initial adoption of IFRS 16.

Provisions for risks and charges

Provisions for risks and charges arising in the course of business on major contracts. Due to their nature, the timing of payments and cost of settlement of these risks and charges will happen throughout the life of the projects they relate to, which are between 1 and 10 years from the balance sheet date.

Notes to the financial statements (continued)

For the year ended 31 December 2019

13 Provisions (continued)

Provisions for restoration costs

Provisions for restoration costs relate to a right of use building asset and potential restoration costs which may be incurred at the end of the lease during the process of restoring the building back to its original state.

Provision for employee benefits (Snamprogetti scheme)

Provisions for employee benefits relate solely to the defined benefit Snamprogetti pension scheme. The company has committed to pay a contribution of £615 thousand (equivalent to approximately €700 thousand), each year from 2019 to 2023, as well as all the expenses of running the scheme which amounts to approximately £200 thousand (equivalent to €228 thousand) per annum. Further details on this scheme are provided in the tables and descriptions that follow:

The defined benefit obligation related to the pension scheme at 31 December 2019 is €51,393 thousand (31 December 2018 - €46,796 thousand) analysed as follows:

(€ thousands)	2019	2018
Defined benefit obligation at 1 January	**46,796**	**49,903**
Interest cost	1,257	1,174
Past service costs	-	710
Actual net benefits paid	(2,984)	(2,166)
Actuarial losses / (gains) due to changes in demographic assumptions	71	(837)
Actuarial losses / (gains) due to changes in financial assumptions	3,963	(1,751)
Experience (gains) / losses	(183)	140
Exchange rate losses / (gains)	2,473	(377)
Defined benefit obligation at 31 December	**51,393**	**46,796**

The expected total routine benefit payments for the following years are as follows:

Year	(€ thousands)
2020	2,255
2021	2,489
2022	2,402
2023	2,342
2024	2,524
2025 - 2029	12,571

Notes to the financial statements (continued)

For the year ended 31 December 2019

13 Provisions (continued)

Provision for employee benefits (Snamprogetti scheme) (continued)

The fair values of plan assets related to the pension scheme at 31 December 2019 are analysed as follows:

(€ thousands)	2019	2018
Fair value of plan assets at 1 January	**42,112**	**45,577**
Interest income on plan assets	1,138	1,080
Returns on plan assets excluding interest	4,051	(2,736)
Actual employer contributions	908	907
Actual net benefits paid	(2,984)	(2,166)
Actual administration expenses paid	(228)	(220)
Exchange rate gains / (losses)	2,277	(330)
Fair value of plan assets at 31 December	**47,274**	**42,112**

The defined benefit liability recognised as at 31 December 2019 is shown as below:

(€ thousands)	2019	2018
Defined benefit obligation	(51,393)	(46,796)
Fair value of plan assets	47,274	42,112
Net liability	**(4,119)**	**(4,684)**

The discount rate used in 2019 was calculated with reference to the UK Corporate AA iBoxx as at the end of 2019. The main actuarial assumptions used in order to assess the net liability at 31 December 2019, are shown in the following table:

(%)	2019	2018
Discount rate	2.00	2.70
Rate of increases to pensions in payments	3.00	3.00
Rate of increases to pensions in deferment	2.10	2.15
Rate of price inflation	3.10	3.25

Mortality assumptions:
The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 24.20 years (female), 23.20 years (male).
- Future retiree upon reaching 65: 25.70 years (female), 24.40 years (male).

Notes to the financial statements (continued)

For the year ended 31 December 2019

13 Provisions (continued)

Provision for employee benefits (Snamprogetti scheme) (continued)

The actuarial losses / (gains) are detailed as follows:

(€ thousands)	2019	2018
Losses / (gains) due to changes in demographic assumptions	71	(837)
Losses / (gains) due to changes in financial assumptions	3,963	(1,751)
Experience (gains) / losses arising during the year	(183)	140
(Returns) / loss on plan assets excluding interest income	(4,051)	2,736
Amounts recognised in other comprehensive income	**(200)**	**288**

In accordance with IAS 19 (as revised in 2011) actuarial gains and losses are recognised immediately through other comprehensive income, the amounts of which are shown as follows:

(€ thousands)	2019	2018
Actuarial (gains) / losses related to the pension scheme	(200)	288
Tax on actuarial gains / (losses)	152	(55)
(Increase) / decrease in comprehensive income	**(48)**	**233**

Sensitivity analyses on plan obligation

(€ thousands)	**Discount Rate -0.5% i.e. 1.50%**	**Benchmark Discount Rate 2.00%**	**Discount Rate +0.5% i.e. 2.50%**
Present value of obligation at 31 December 2019	52,366	51,393	45,753

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Notes to the financial statements (continued)

For the year ended 31 December 2019

13 Provisions (continued)

Provision for employee benefits (Snamprogetti scheme) (continued)

The plan's asset compositions are analysed in the table below:

(€ thousands)	2019		2018	
Cash and cash equivalents	6,325	13.4%	5,796	13.8%
Equity securities	9,710	20.5%	10,304	24.5%
Debt securities	11,317	24.0%	9,012	21.4%
Derivatives	9,264	19.6%	7,717	18.3%
Assets held by insurance company	1,461	3.1%	1,331	3.2%
Real estate	730	1.5%	734	1.7%
Investment funds	7,132	15.1%	6,285	14.9%
Other	1,335	2.8%	933	2.2%
Total	**47,274**	**100.0%**	**42,112**	**100.0%**

14 Trade and other payables

(€ thousands)	2019	2018
Trade payables	3,372	5,427
Amounts due to related parties	70,592	79,685
Accruals	54,092	55,119
Other payables	4,259	7,217
Other tax payables	6,789	3,164
Total	**139,104**	**150,612**

15 Income taxes payable

(€ thousands)	2019	2018
UK tax authorities	361	229
Foreign tax authorities	425	485
Total	**786**	**714**

16 Capital and reserves

Shareholder's equity is reconciled in the statement of changes in shareholder's equity on page 18. It comprises share capital, a cash flow hedge reserve, other reserves and retained earnings.

At 31 December 2019, the authorised and fully paid-up share capital of the company was €7,500,000 (31 December 2018 - €7,500,000), corresponding to 7,500,000 (shares with a nominal value of €1 each (31 December 2018 - €1 each).

Cash flow hedges are used to reduce exposure to changes in foreign currency rates and commodity prices. These are used to hedge staff costs which are incurred in sterling and major projects with material non euro cash flows. The movement on the cash flow hedge reported in equity relates to the change in fair value on the effective portion of the hedge in the year, shown net of tax effect.

Notes to the financial statements (continued)

For the year ended 31 December 2019

16 Capital and reserves (continued)

Other reserves capture the re-measurements in actuarial assumptions which effect the pension provision disclosed in Note 13. The movements are shown net of tax effect.

The following dividends were paid during the period:

	2019	2018
Per qualifying ordinary share (€)	2.67	9.33

There were no dividends proposed after the balance sheet date.

17 Guarantees

(€ thousands)	2019	2018
Performance bonds	147,837	53,539
Other guarantees	30,562	554
Total	**178,399**	**54,093**

The company issues guarantees for the benefit of its customers and other stakeholders and is committed to fulfil the contractual obligations assumed at the assignment of the contracts.

During 2016, the Saipem group sought financial independence following its deconsolidation from ENI. A number of loan and credit facilities were arranged at Saipem group level. Significant Saipem group subsidiaries including Saipem Limited have acted as guarantors to those facilities. The Guarantors have agreed to unconditionally and irrevocably, jointly and severally guarantee the payment of all sums expressed to be payable. Further information is disclosed within the Saipem group Consolidated Financial Statements, accessible via the Investor Relations section from the web address www.saipem.com.

The directors are not aware of any actual liabilities over and above those already provided.

18 Revenue

Revenue is generated from the provision of services. Revenue recognised in the Statement of Comprehensive Income is analysed as follows:

(€ thousands)	2019	2018
By geographical market:		
Gulf of Mexico	253,920	98,853
North Sea	106,230	246,718
Baltic	26,990	54,418
Mediterranean	39,426	28,262
Caspian Sea	25,556	16,409
Other	13,766	18,546
West Africa	5,007	17,696
Russia	3,125	-
Total	**474,020**	**480,902**

Notes to the financial statements (continued)

For the year ended 31 December 2019

18 Revenue (continued)

(€ thousands)	2019	2018
By activity:		
Conventional	316,718	282,029
Personnel and equipment services	86,739	82,280
Renewables	32,504	36,613
Decommissioning	24,802	69,791
Studies and early engagement	12,809	9,983
Non-operating income	448	206
Total	**474,020**	**480,902**

Conventional
Revenue generated from pipelay, fixed facilities, SURF and heavy lift within the oil and gas industry.

Personnel and equipment services
The provision of personnel and equipment e.g. ROVS to support other Saipem Group companies.

Renewables
Revenue generated from projects in the windfarm sector.

Decommissioning
Revenue generated from integrated engineering, preparation, removal and disposal projects.

Studies and early engagement
Pre-project technical and feasibility studies, innovative technological design methodologies and data analysis.

Non-operating income
Revenue from non-operating activities such as subleasing, volume discounts and training subsidies.

19 Auditor's remuneration

(€ thousands)	2019	2018
Audit of financial statements of the company	110	93

20 Directors' emoluments

(€ thousands)	2019	2018
Directors' emoluments	996	916
Company contributions paid to money purchase pension schemes	11	10

Notes to the financial statements (continued)

For the year ended 31 December 2019

20 Directors' emoluments (continued)

The average number of directors was as follows:

(Number)	2019	2018
Directors	3	3
Members of money purchase pension schemes	1	1

The emoluments of the highest paid director are €996 thousand (2018 - €916 thousand). Company contributions of €11 thousand (2018 - €10 thousand) were made to money purchase pension schemes on his behalf. The emoluments of two of the Directors are borne by other Saipem group companies.

21 Staff costs

The cost incurred, was as follows:

€ thousand	2019	2018
Wages and salaries	54,640	55,737
Social security contributions	5,603	5,657
Net benefit costs	4,478	3,874
Other costs	1,502	2,409
Reimbursed wages and salaries of seconded personnel	(412)	(603)
Capitalised direct costs associated with self-constructed assets	(382)	(414)
Total	**65,429**	**66,660**

The average number of employees, by category, was as follows:

	2019	2018
Operations	535	542
Administration	66	61
Total	**601**	**603**

22 Pension commitments

During the year ended 31 December 2019, the company operated one defined benefit scheme and contributed to four defined contribution schemes. The total pension cost charge for the year amounts to €4,706 thousand (2018 - €5,250 thousand).

Defined contribution schemes:

Global Petro Projects Services AG pension plan

12 (2018- 10) of the company's UK employees were members of the Global Petro Projects Services AG pension plan. Company contributions to this fund amounting to €93 thousand (2018 - €84 thousand) were made during the year. The scheme is available to new joiners of the company only if they are not UK resident, following the UK government's creation of auto-enrolment into works pension schemes.

Scottish Equitable Aegon pension plan

523 (2018 - 486) of the company's UK employees were members of the Scottish Equitable Aegon pension plan. Company contributions to this fund amounting to €4,380 thousand were

Notes to the financial statements (continued)

For the year ended 31 December 2019

22 Pension commitments (continued)

made during the year (2018 - €3,762 thousand). The scheme is available to new joiners of the company.

Ensign Blackrock (formerly Merchant Navy Officers Pension Fund)
0 (2018 - 1) of the company's UK employees was a member of the Ensign (Blackrock) pension plan. Company contributions to this fund amounting to €5 thousand were made during the year (2018 - €21 thousand).

DNB Pensjonstjenester pension plan

0 (2018 - 2) of the company's Norwegian employees were members of the DNB Pensjonstjenester pension plan. Company contributions to this fund amounting to €nil thousand were made during the year (2018 - €7 thousand). The contributions were less than last year following the rationalisation of the Norway Branch and its staff.

The defined benefit scheme is as follows:

Snamprogetti Limited Staff Retirement Benefit Scheme
323 (2018 – 323) of Snamprogetti Limited's former employees are members of the Snamprogetti Limited Staff Retirement Benefits Scheme. Company contributions to this fund amounting to €680 thousand were made during the year (2018 - €688 thousand). The total pension cost for this scheme during the year amounted to €228 thousand (2018 - €930 thousand) of which administrative cost amounted to €228 thousand (2018 – €220 thousand) and past service cost for GMP estimated equalization amounted to €0 thousand (2018 - €710 thousand). The scheme is not available to new joiners.

The company is a Participating Employer, as follows:

The company is a Participating Employer of the Merchant Navy Officers Pension Fund (MNOPF), defined benefit scheme. In accordance with the MNOPF Trust Deed and Rules, the company has ongoing funding obligations as a Participating Employer in respect of a small proportion of pension members. Therefore, where a funding shortfall on a technical provisions basis arises, the company may be asked for funding in line with the agreed Schedule of Contributions in respect of its respective proportion of the Scheme. The schedules provided by the MNOPF only detail the amount for which it is seeking contribution; therefore the company is unable to identify its share of the underlying assets and liabilities of the plan on a consistent and reliable basis. No payments were made during 2019.

Notes to the financial statements (continued)

For the year ended 31 December 2019

23 Taxation

(€ thousands)	2019	2018
UK corporation tax	1,694	-
Foreign tax	29	74
Current income tax charge	**1,723**	**74**
Origination and reversal of temporary differences	1,012	(757)
Adjustments in respect of prior years	(932)	(886)
Total tax expense / (credit) reported in the statement of income	**1,803**	**(1,569)**
Deferred tax credit in other comprehensive income	513	(752)
Total tax expense / (credit) in the statement of comprehensive income	**2,316**	**(2,321)**

The tax expense / (credit) in the statement of income is higher (2018 - higher) than profit before tax multiplied by the effective standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%).

The differences are reconciled as follows:

(€ thousands)	2019	2018
Profit / (loss) before taxation	9,057	(3,918)
Profit / (loss) before taxation at the UK effective statutory rate		
of 19.00% (2018 - 19.00%)	1,721	(744)
Expenses not deductible for tax purposes	34	18
Adjustments in respect of prior periods - current tax	(932)	(886)
Adjustments in respect of prior periods - deferred tax	957	(31)
Overseas profits liable to tax at higher rates	23	74
Total tax expense / (credit) in the statement of income	**1,803**	**(1,569)**

The main rate of UK corporation tax is 19% (effective from 1 April 2017).

The UK Budget Announcement on 11 March 2020 stated that the corporation tax rate reduction to 17% from 1 April 2020 will no longer take place and that the current rate of 19% will remain in force. However, the change from 17% to 19% has not yet been substantively enacted. Under IAS 12 and FRS 101, deferred tax is required to be calculated using rates that have been substantively enacted at the balance sheet date. Consequently, deferred tax has been valued at 17%, unless the underlying asset is deemed to reverse before April 2020, in which case 19% has been used.

The consequential effect of the rate remaining at 19%, would increase the deferred tax asset by an amount of €122 thousand, increase the deferred tax liability by an amount of €141 thousand and increase the income tax expense recognised in the income statement by an amount of €19 thousand.

24 Related Parties

The transactions with the parent company and fellow subsidiaries related to trading and financing activities.

Notes to the financial statements (continued)

For the year ended 31 December 2019

24 Related Parties (continued)

(€ thousands)	2019	2018	2019	2018
	Revenue from:		Expenses from:	
Parent	40,135	55,021	25,257	15,481
Other Group Companies	117,787	84,775	91,304	158,468
Total	**157,922**	**139,796**	**116,561**	**173,949**
	Trade receivables:		**Trade payables:**	
Parent	19,036	63,104	20,999	16,790
Subsidiary	-	-	1	-
Other Group Companies	99,056	156,046	49,592	91,833
Total	**118,092**	**219,150**	**70,592**	**108,623**

25 Ultimate parent undertaking and controlling party

The company is a 100% owned subsidiary undertaking of Saipem International BV incorporated in The Netherlands. The only group in which the 2019 results of the company are consolidated is that headed by Saipem S.p.A.

The Saipem group's financial statements are available to the public via the company website saipem.com and may be obtained from the following address:

Saipem S.p.A.
Via Martiri Di Cefalonia, 67
20097 San Donato Milanese (MI)
Milan, Italy

26 Subsequent events

Subsequent to the balance sheet date 31 December 2019, three non-adjusting differences occurred:

(i) A Client terminated a project for convenience. This will have a positive impact in the income statement of 2020.

(ii) The World Health Organisation declared a global pandemic (COVID-19). The Directors have considered the risks to the business and conclude that the going concern assumption remains realistic. Further details are available in Note 2.

(iii) The impact of COVID-19 on the Snamprogetti scheme.
The pandemic has had a significant impact on asset markets and corporate bonds yields, which are key to the IAS19 assessment of the net pension asset or liability. In particular, global equity markets have seen significant falls in 2020. AA corporate bond yields, used to set the IAS19 discount rate, have been highly volatile. Long term inflation expectations, used to project future benefit payments, have also fallen. The net impact of the above is expected to have led to a deterioration in the company's net pension liability since the balance sheet date, with the impact of favourable liability assumptions partially offsetting the drop in value of the diversified scheme assets.