Saipem announces 2013 preliminary consolidated results

San Donato Milanese, February 11, 2014 - Today, the Board of Directors of Saipem S.p.A. reviewed the Saipem Group preliminary consolidated results as at December 31, 2013 (not yet submitted to the Company Statutory Auditors and Independent Auditors), which have been prepared in compliance with the International Financial Reporting Standards (EU approved IFRS).

2013 (restated in accordance with CONSOB indications pursuant to IAS 8)

- **Revenues: €12,256 million**
- **EBIT: €147 million**
- **Net profit: -€159 million**

2013 (pro-forma consistent with 2013 reporting)[1]:

- **Revenues: €12,011 million**
- **EBIT: -€98 million**
- **Net profit: -€404 million**

- **Investments: €908 million (€1,015 million in 2012)**
- **Net debt: €4,707 million (€4,278 million at December 31, 2012)**
- **New contracts: €10,653 million (€13,391 million in 2012)**
- **Backlog: €17,514[2] million at December 31, 2013 (€19,739 million at December 31, 2012)**
- **New contracts awarded in January and February 2014: approximately € 800 million**

Guidance 2014:

- **Revenues: €12.5 to €13.6 billion**
- **EBIT: €600 to €750 million**
- **Net profit: €280 to €380 million**
- **Investments: approximately €750 million**

Umberto Vergine, Saipem CEO commented:
"2013 has been a difficult year for Saipem which has required activity on many fronts to restore the efficiency and competitiveness of the business. Our priority has been to take actions to tackle structural problems and to stabilize the Engineering & Construction activities addressing a fundamental series of legacy issues. The Drilling business has continued to provide consistently strong returns. 2014 will be a transition year in which a significant proportion of Engineering & Construction activities will stem from low-margin legacy contracts. We shall continue to focus on

[1] Data "consistent with 2013 reporting" do not include the effects of Consob restatement.
[2] Excluded from backlog: €72 million for Perro Negro 6, €795 million for FPSO Firenze.

improving our operational performance and increasing our order backlog with higher margin contracts delivering good returns for our shareholders."

Conclusion of Consob proceedings 1612/2013: pro-forma data at December 31, 2012

In accordance with what announced in the press release of October 28, 2013 and 6 December 2013, in line with the decision of applying the IAS 8 accounting policy to the 2013 balance sheet, Saipem has restated its balance sheet, with the effect that shareholder equity at December 31, 2012 has decreased by €245 million, resulting in revenues for 2013 increasing by €245 million.

With the aim of providing information that would allow a comparison with 2013 data, Saipem has restated the 2012 Financial Statements in line with CONSOB indications, resulting in a net loss in 2013 of €159 million (as opposed to a net loss of €404 million consistent with 2013 reporting). The aggregate net profit for the years 2012 and 2013 remains unchanged.

The table below shows the most significant restated items in the financial statements at December 31, 2012 ("Approved" and "Restated") and those at December 31, 2013 ("Consistent with 2013 reporting" and "Preliminary"). For the purposes of consistency, comparisons with operational variations will refer to the "Approved" Financial Statements at December 31 and "Consistent" preliminary results. For details, please refer to the section "Effects of the restatement: Financial Statements".

(€ million)

2012* Approved	2012 Restated		2013 Consistent	2013 Preliminary
13,369	13,124	Revenues	12,011	12,256
2,216	1,971	EBITDA	626	871
1,490	1,245	Operating profit	(98)	147
904	659	Net profit	(404)	(159)
1,630	1,385	Cash flow (Net profit + Depreciation and amortization)	320	565
932	687	Investments	829	829
5,377	5,132	New contracts	4,653	4,653

** data were restated pursuant to the application of IAS 19*

The following table shows 2013 results consist with 2013 financial reporting-

Financial highlights (<u>consistent with 2013 reporting)</u>

(€ million)

Q4 2012	Q3 2013	Q4 2013	Q4 2013 vs Q4 2012 (%)		2012	2013	2013 vs 2012 (%)
3,423	3,522	3,303	(3.5)	Revenues	13,369	12,011	(10.2)
511	393	342	(33.1)	EBITDA	2,216	626	(71.8)
320	209	161	(49.7)	Operating profit	1,490	(98)	ns
180	101	70	(61.1)	Net profit	904	(404)	ns
371	285	251	(32.3)	Cash flow (Net profit + Depreciation and amortization)	1,630	320	(80.4)
237	192	224	(5.1)	Investments	1,015	908	(10.5)
4,251	1,410	2,092		New contracts	13,391	10,653	

Revenues and associated profit levels, particularly in the Engineering and Construction sector, and, to a lesser extent, in the Drilling sector, are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules. Consequently, the results from any one particular fiscal period can vary significantly, thereby precluding a direct comparison with the same period in other fiscal years or extrapolation of figures from a single quarter to the entire year.

At the Annual Shareholders' Meeting, due to be convened on May 6, 2014, the Board of Directors will propose a continuation of the current dividend policy, thereby foregoing the distribution of a dividend for the year 2013.

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

Net financial debt at December 31, 2013 amounted to €4,707 million , an increase of €429 million compared to December 31, 2012. This increase is attributable to the investments made and the payment of dividends, which were largely offset by cash flow from disposals and operational cash flow generated during the year.

New contracts and backlog

During Q4 2013, Saipem was awarded contracts amounting to €2,092 million (€4,251 million in Q4 2012).

The Saipem Group backlog at December 31, 2013 stood at €17,514 million (€8,447 million in the Offshore Engineering & Construction sector, €4,436 million in the Onshore Engineering & Construction sector, and €4,631 million in the Drilling sectors), of which €9,244 million is due to be realised in 2014. The backlog includes the effects of the cancellations of residual parts of the lease contracts for the FPSO Firenze (€795 million) following its disposal, and for the jack-up Perro Negro 6 (€72 million) following the accident on July 1, 2013.

In the first few weeks of 2014, Saipem has been awarded contracts amounting to approximately €800 million. The main acquisitions concern Canada and the Republic of Congo.In Canada, Saipem has been awarded by CNRL (Canadian Natural Resources) a number of E&C Onshore contracts for the development of the Hydrotreater Phase 3 of the Horizon Oil Sands Project, in the Athabasca region. The scope of the contracts includes engineering, procurement and construction of a combined Hydrotreating Unit, a Sour Water Concentrator Unit and a Sulphur Recovery Train Unit, along with the construction works of supporting units. The project will be completed in the first half of 2017.

In the Republic of Congo, Saipem has been awarded by Eni Congo an Onshore treatment plan to treat the feed stream from the Litchendjili offshore platform, located south of Pointe Noire which, transported through a dedicated pipeline, will produce treated gas and stabilized condensate. The scope of work includes engineering, procurement, construction, transport, early gas production, pre-commissioning, commissioning and start-up of the Litchendjili gas treatment plant. The project will be completed in the second half of 2016.

Operational update

Operating profit for 2013 was €98 million lower than forecast in previous guidance, mainly due to events which occurred in the last two months of the year.

Of particular impact were delays in the awarding of new contracts, a trend which had already started to evidence itself in Q3, and which had led to a guidance reduction in both revenues and new contract acquisitions, as announced at the presentation of nine-month results in October. This resulted in both a decrease in revenues and margins and a lower take-up of fixed costs.

Furthermore, a small number of contracts already in the backlog were delayed in their execution. This has resulted in a further deferment in the recognition of both revenues and margins, in addition to a lesser take-up of fixed costs.

In November, an E&C offshore project in Angola incurred unpredictable extra costs amounting to €30 million, due to an unexpected technical hindrance that required additional works, delaying operations.

Finally, operational profits were negatively affected (approximately €20 million) by the devaluation of certain projects of the balance sheet.

Failure to meet guidance is therefore 50% attributable to the deferral of revenues and margins to forthcoming years.

In general, the contribution made in 2013 by the full utilization of the Drilling fleet proved to be a great source of strength, since it limited the impact of critical contracts in the Engineering & Construction (E&C) business unit.

In E&C, the Group remains focused on improving operational performance, particularly on low-margin projects.

The new fabrication yard in Edmonton, Canada, was opened in Q4. This unique indoor facility, the only one of its kind in North America, will enable Saipem to speed-up construction times by allowing work to continue even in adverse weather conditions.

The strategic strengthening of Saipem’s presence in Canada was underlined by in the award in the first few weeks of 2014 of new E&C Onshore contracts, for the development of the Hydrotreater Phase 3 of the Horizon Oil Sands Project.
With regard to offshore operations on projects in Asia Pacific and Brazil, negotiations announced in October aimed at redefining the utilization schedule of vessels are almost completed. These have strengthened relations with the clients involved.

Payments for work carried out in Egypt and Venezuela, which had been severely delayed, have improved significantly in Q4, returning to normal.

With regard to the MLE project in Algeria, Saipem commenced legal proceedings to obtain recognition for work under dispute with the counterparty.

Management outlook for 2014

Given that delays by Oil Companies in awarding new contracts occurred in H2 2013, this has led to reduced visibility over the anticipated backlog evolution, which has made it harder to forecast the revenues and margins associated with projects under award.

For this reason, Saipem has chosen to adopt a policy of cautious guidance, reflecting the increased level of uncertainty in today’s market.

For 2014, Saipem expects revenues of between €12.5 and €13.6 billion, EBIT of between €600 and €750 million and a net profit of between €280 and €380 million.

Results will depend on the outcome of current tenders, on the timing of project awards and the start of their operations, in addition to the recognition of revenues and margins forecast for 2014.

However, the commercial market outlook remains positive, with a high number and type of contracts to be awarded in the near future, for which Saipem holds a solid competitive position. These are: pipe-laying projects in ultra-deep waters, subsea developments in deep and ultra-deep waters, FPSO construction projects and large highly-technologically complex onshore projects.

Investments are expected totaling approximately €750 million and net financial debt is expected to be approximately €4.2 billion, both figures representing decreases on 2013 levels..

2014 should be a year of transition with a return to profitability. The extent of the recovery will depend not only on the pace of contract awards, but also on the efficient operational and commercial execution of low-margin contracts still in the backlog, which in 2014 should account for approximately €5 billion.

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This press release should be read jointly with the statutory and consolidated financial statements as of December 31, 2012 and the condensed interim consolidated financial statements as of June 30, 2013 of Saipem S.p.A., which are already available on the Company's website (www.saipem.com) under the section "Investor Relations – Financial Statements."

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Saipem's Chief Financial Officer and Compliance Officer, Mr Alberto Chiarini, in his capacity as manager responsible for the preparation of the Company's financial reports, certifies, pursuant to art. 154-bis paragraph 2 of Legislative Decree no. 58/1998, that accounting data corresponds to the Company's documents and accounting books and entries.

By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent upon circumstances which should or are considered likely to occur in the future and are outside of the Company's control. These include, but are not limited to: monetary exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders' expectations and other changes affecting business conditions. Actual results could therefore differ materially from the forward-looking statements. The Financial Reports contain in-depth analyses of some of the aforementioned risks. Forward-looking statements are to be considered in the context of the date of their release.

Conference call and webcast

A conference call and webcast will be hosted today at 5.30pm CET (4.30pm GMT, 11.30pm EST, 8.30am PST) which can be followed on Saipem's website www.saipem.com by clicking on the webcast banner on the home page, or through the following URL: http://www.media-server.com/m/p/2xstmsac.

During the conference call and webcast apresentation will be given , which will be available for download from the webcast window and from the 'Investor Relations / Presentations' section on the www.saipem.com website, around 15 minutes before the scheduled start time.

Saipem operates through two Business Units: Engineering & Construction and Drilling, with a strong bias towards oil & gas-related activities in remote areas and deep-waters. Saipem is a leader in the provision of engineering, procurement, project management and construction services with distinctive capabilities in the design and execution of large-scale offshore and onshore projects, and technological competences such as gas monetization and heavy oil exploitation.

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Analysis by business sector

Engineering & Construction: Offshore (consistent with 2013 reporting)

(€ million)

Q4 2012	Q3 2013	Q4 2013	Q4 2013 vs Q4 2012 (%)		2012	2013	2013 vs 2012 (%)
1.406	1.646	1.400	(0,4)	Revenues	5.356	5.256	(1,9)
(1.156)	(1.473)	(1.238)	7,1	Expenses	(4.388)	(4.888)	11,4
(72)	(77)	(76)	5,6	Depreciation and amortization	(273)	(293)	7,3
178	96	86	(51,7)	Operating profit	695	75	(89,2)
17,8	10,5	11,6		EBITDA %	18,1	7,0	
12,7	5,8	6,1		EBIT %	13,1	1,4	
1.816	711	911		New contracts	7.477	5.777	

The backlog at December 31, 2013 stood at €8,447 million, of which €5,048 million is due to be realised in 2014. This includes the effects of the cancellation from the backlog of the residual part of the lease contract for the FPSO Firenze following its sale to Eni on December 30, 2013, for a consideration of €795 million.

- Revenues for 2013 amounted to €5,256 million, representing a 1.9% decrease compared to 2012, mainly due to lower levels of activity in the North Sea, Kazakhstan and Australia.

- Operating results for 2013 amounted to €75 million compared to €695 million in 2012. This reduction is ascribed mainly to:

– higher costs generated during the year on a project involving the construction of a vessel for a client,
– increased costs deriving from technical problems and lower productivity initially generated by the new pipelayer Castorone,
– the different profit mix of projects under execution in the two periods under consideration,
– the delay in the award and execution of new projects.

- The main contracts acquired in the Q4 2013 include:

– for South Stream Transport BV, the contract for the preparatory construction works of the South Stream Offshore Pipeline. The Early Works Agreement encompasses the engineering and procurement activities required before construction begins, as well as the upgrading works to the equipment needed for pipe laying;
– for Saudi Aramco, an EPCI contract in Saudi Arabia for the engineering, procurement, fabrication, transport and installation of new offshore facilities, including three platforms, three jackets and associated pipelines (approximately 30 kilometres) and subsea cables (25 kilometres);
– for Dragados, two T&I contracts for the transport and installation of two offshore platforms in Mexican waters in the Gulf of Mexico. The platforms, whose topsides weigh around 16,000 and 17,000 tons respectively, will be installed using the float-over method, yet to be used in the Gulf of Mexico.

Engineering & Construction: Onshore (<u>consistent with 2013 reporting)</u>

(€ million)

Q4 2012	Q3 2013	Q4 2013	Q4 2013 vs Q4 2012 (%)		2012	2013	2013 vs 2012 (%)
1.511	1.404	1.426	(5,6)	Revenues	6.175	4.831	(21,8)
(1.469)	(1.401)	(1.465)	(0,3)	Expenses	(5.744)	(5.445)	(5,2)
(8)	(8)	(6)	(25,0)	Depreciation and amortization	(33)	(31)	(6,1)
34	(5)	(45)	ns	Operating profit	398	(645)	ns
2,8	0,2	-2,7		EBITDA %	7,0	-12,7	
2,3	-0,4	-3,2		EBIT %	6,4	-13,4	
1.516	220	390		New contracts	3.972	2.566	

Data stated as "consistent with 2013 reporting"; the Onshore Engineering & Construction Business Unit is the only BU to have been affected by the restatement, showing a decrease of 245 million euro in revenues and margins in 2012 and an increase of 245 million euro in revenues and margins in 2013.

The backlog at December 31, 2013 stood at €4,436 million, of which €2,688 million is due to be realised in 2014.

- Revenues for 2013 amounted to €4,831 million, representing a 21.8% decrease compared to 2012, mainly attributable to lower levels of activity in North and West Africa and the Middle East.

- Operating results for 2013 amounted to -€645 million, compared to €398 million in 2012. This reduction is mainly ascribed to higher costs and provisions for contingencies on projects in Algeria, Canada and Mexico.

Drilling: Offshore (<u>consistent with 2013 reporting)</u>

(€ million)

Q4 2012	Q3 2013	Q4 2013	Q4 2013 vs Q4 2012 (%)		2012	2013	2013 vs 2012 (%)
305	284	285	(6,6)	Revenues	1.088	1.177	8,2
(148)	(128)	(126)	(14,9)	Expenses	(509)	(539)	5,9
(76)	(64)	(64)	(15,8)	Depreciation and amortization	(285)	(259)	(9,1)
81	92	95	17,3	Operating profit	294	379	28,9
51,5	54,9	55,8		EBITDA %	53,2	54,2	
26,6	32,4	33,3		EBIT %	27,0	32,2	
494	107	381		New contracts	1.025	1.401	

The backlog at December 31, 2013 stood at €3,390 million, of which €1,076 million is due to be realised in 2014. This includes the effects of the cancellation from the backlog of the residual part of the lease contract of the jack-up Perro Negro 6, followingthe July 1, 2013 accident, amounting to €72 million.

- Revenues for 2013 amounted to €1,177 million, representing a 8.2% increase on 2012, mainly attributable both to the full-scale operations of the semi-submersible rigs Scarabeo 8, Scarabeo 3 and Scarabeo 6, the first having been under construction in the first part of 2012 and the other two having undergone upgrading works in Q3 2012, and also to the start of operations of the vessel Ocean Spur, leased from third parties. Higher revenues more than offset the reduction in revenues generated by the semi-submersible rig Scarabeo 5, which underwent upgrading works and the jack-up Perro Negro 6, which sank on July 1, 2013.

- Operating results for 2013 amounted to €379 million, compared to €294 million in 2012, with the margin on revenues increasing from 27% to 32.2%. The EBITDA margin stood at 54.2%, a 1% increase on the 53.2% achieved in 2012.

- The most significant contract acquired in Q4 2013 was for Saudi Aramco, comprising the ten-year contract for the lease of the Jack-Up Perro Negro 5 commencing Q4 2014.

– Vessel utilisation in 2013 and the impact of programmed maintenance for 2014 are as follows:

Vessel	***December 2013***			***Year 2014***	
	Under contract	***Idle***		***Idle***	
	(days)			***(days)***	
Semi-submersible rig Scarabeo 3	358	7	(b)	16	(a)
Semi-submersible rig Scarabeo 4	291	74	(b)	–	
Semi-submersible rig Scarabeo 5	159	206	(a+b)	–	
Semi-submersible rig Scarabeo 6	306	59	(a+b)	30	(a)
Semi-submersible rig Scarabeo 7	310	55	(a+b)	151	(a)
Semi-submersible rig Scarabeo 8	363	2	(b)	–	
Semi-submersible rig Scarabeo 9	346	19	(b)	20	(a)
Drillship Saipem 10000	356	9	(b)	–	
Drillship Saipem 12000	359	6	(a)	–	
Jack-up Perro Negro 2	355	10	(a)	–	
Jack-up Perro Negro 3	294	71	(a+b)	–	
Jack-up Perro Negro 4	365	–		92	(a)
Jack-up Perro Negro 5	329	36	(a)	–	
Jack-up Perro Negro 6	181	–	(c)	–	(c)
Jack-up Perro Negro 7	365	–		85	(a)
Jack-up Perro Negro 8	356	9	(a)	–	
Tender Assisted Drilling Barge	357	8	(b)	10	(b)
Ocean Spur	351	14	(a)	–	

(a) = the vessel underwent/shall undergo class reinstatement works and/or preparation works for a new contract.
(b) = the vessel underwent maintenance works to address technical problems.
(c) = the vessel was lost following the incident that occurred on July 1, 2013.

Drilling: Onshore (consistent with 2013 reporting)

(€ million)

Q4 2012	Q3 2013	Q4 2013	Q4 2013 vs Q4 2012 (%)		2012	2013	2013 vs 2012 (%)
201	188	192	(4,5)	Revenues	750	747	(0,4)
(139)	(127)	(132)	(5,0)	Expenses	(512)	(513)	0,2
(35)	(35)	(35)	–	Depreciation and amortization	(135)	(141)	4,4
27	26	25	(7,4)	Operating profit	103	93	(9,7)
30,8	32,4	31,3		EBITDA %	31,7	31,3	
13,4	13,8	13,0		EBIT %	13,7	12,4	
425	372	410		New contracts	917	909	

The backlog at December 31, 2013 stood at €1,241 million, of which €432 million is due to be realised in 2014.

- Revenues for 2013 amounted to €747 million, substantially in line with 2012, mainly due to higher levels of activity of rigs in Saudi Arabia, Kazakhstan and Mauritania, which offset the lower levels recorded in Algeria.

- Operating results for 2013 amounted to €93 million, compared to €103 millionrecorded in 2012, with the margin on revenues decreasing from 13.7% to 12.4%. The EBITDA margin stood at 31.3%, compared to 31.7% in 2012, owing to higher costs for personnel and equipment demobilization in Algeria.

- During the fourth quarter, Saipem was awarded new contracts by several clients for the utilization of 11 rigs in the Middle East, North Africa and South America. The duration of contracts for 8 of these rigs ranges from 2 to 5 years, while the remaining 3 will be contracted out for less than one year.

Average utilization of assets in 2013 stood at 96% (97.2% in 2012). At December 31, 2013, the Company owned 96 rigs (in addition to 1 rig nearing completion) located as follows: 28 in Venezuela, 19 in Peru, 20 in Saudi Arabia, 7 in Colombia, 5 in Kazakhstan, 4 in Bolivia, 3 in Ecuador, 2 in Algeria, 2 in Chile, 1 in Congo, 1 in Italy, 1 in Ukraine, 1 in Mauritania, 1 in Turkey and 1 in Morocco.

Additionally, 6 third-party rigs were deployed in Peru, 3 third-party rigs in Kazakhstan by the joint-venture company SaiPar, 1 third-party rig in Congo and 1 in Ecuador.

Attachments:

- Reclassified consolidated balance sheet, consolidated income statements reclassified by nature and function of expenses and reclassified “consistent with 2013 reporting” and “preliminary results” statement of cash flow.

RECLASSIFIED CONSOLIDATED BALANCE SHEET – CONSISTENT

(€ million)

	December 31, 2012*		December 31, 2013	
Net tangible fixed assets		8,254		7,972
Net intangible fixed assets		756		758
		9,010		8,730
- Engineering & Construction: Offshore	4,064		3,848	
- Engineering & Construction: Onshore	513		589	
- Drilling: Offshore	3,535		3,352	
- Drilling: Onshore	898		941	
Financial investments		116		126
Non-current assets		**9,126**		**8,856**
Net current assets		**932**		**829**
Employee termination indemnities		**(255)**		**(233)**
CAPITAL EMPLOYED		**9,803**		**9,452**
Shareholders' equity		**5,377**		**4,653**
Minority interest in net equity		**148**		**92**
Net debt		**4,278**		**4,707**
COVER		**9,803**		**9,452**
Leverage (net debt/shareholders' equity)		**0.77**		**0.99**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

** data were restated pursuant to the application of Revised IAS 19*

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
NATURE OF EXPENSES - CONSISTENT

(€ million)

Q4 2012	Q3 2013	Q4 2013		Year 2012	Year 2013
3,423	3,522	3,303	Operating revenues	13,369	12,011
3	2	3	Other revenues and income	10	8
(2,325)	(2,544)	(2,354)	Purchases, services and other costs	(9,131)	(9,073)
(590)	(587)	(610)	Payroll and related costs	(2,032)	(2,320)
511	**393**	**342**	**GROSS OPERATING RESULT**	**2,216**	**626**
(191)	(184)	(181)	Amortization, depreciation and write-downs	(726)	(724)
320	**209**	**161**	**OPERATING RESULT**	**1,490**	**(98)**
(36)	(54)	(44)	Financial expenses	(155)	(190)
8	4	1	Income from investments	16	13
292	**159**	**118**	**INCOME BEFORE INCOME TAXES**	**1,351**	**(275)**
(86)	(50)	(41)	Income taxes	(393)	(106)
206	**109**	**77**	**INCOME BEFORE MINORITY INTEREST**	**958**	**(381)**
(26)	(8)	(7)	Minority interest	(54)	(23)
180	**101**	**70**	**NET RESULT**	**904**	**(404)**
371	**285**	**251**	**CASH FLOW (Net result + Depreciation and amortization)**	**1,630**	**320**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES - CONSISTENT

(€ million)

Q4 2012	Q3 2013	Q4 2013		Year 2012	Year 2013
3,423	3,522	3,303	Operating revenues	13,369	12,011
(2,942)	(3,176)	(3,008)	Production costs	(11,351)	(11,584)
(53)	(43)	(39)	Idle costs	(154)	(163)
(53)	(38)	(39)	Selling expenses	(160)	(145)
(6)	(3)	(4)	Research and development costs	(15)	(14)
(2)	(4)	(3)	Other operating income (expenses), net	(11)	(15)
367	**258**	**210**	**CONTRIBUTION FROM OPERATIONS**	**1,678**	**90**
(47)	(49)	(49)	General and administrative expenses	(188)	(188)
320	**209**	**161**	**OPERATING RESULT**	**1,490**	**(98)**
(36)	(54)	(44)	Financial expenses	(155)	(190)
8	4	1	Income from investments	16	13
292	**159**	**118**	**INCOME BEFORE INCOME TAXES**	**1,351**	**(275)**
(86)	(50)	(41)	Income taxes	(393)	(106)
206	**109**	**77**	**INCOME BEFORE MINORITY INTEREST**	**958**	**(381)**
(26)	(8)	(7)	Minority interest	(54)	(23)
180	**101**	**70**	**NET RESULT**	**904**	**(404)**
371	**285**	**251**	**CASH FLOW (Net Result + Depreciation and amortization)**	**1,630**	**320**

RECLASSIFIED STATEMENT OF CASH FLOW - CONSISTENT

(€ million)

Q4 2012	Q3 2013	Q4 2013		Year 2012	Year 2013
180	101	70	Net result	904	(404)
26	8	7	Minority interest	54	23
			Adjustments to reconcile cash generated from operating income before changes in working capital:		
194	272	132	Depreciation, amortization and other non-monetary items	704	851
(51)	(683)	22	Variation in working capital relating to operations	(1,438)	(42)
349	**(302)**	**231**	**Net cash flow from operations**	**224**	**428**
(238)	(192)	(224)	Investments in tangible and intangible fixed assets	(1,016)	(908)
1	–	336	Disposals	8	378
112	**(494)**	**343**	**Free cash flow**	**(784)**	**(102)**
–	–	–	Buy back of treasury shares/Exercise of stock options	29	–
–	(38)	–	Cash flow from share capital and reserves	(352)	(375)
17	20	32	Effect of exchange rate differences on net debt and other changes	21	48
129	**(512)**	**375**	**Change in net debt**	**(1,086)**	**(429)**
4,407	**4,570**	**5,082**	**Net debt at beginning of period**	**3,192**	**4,278**
4,278	**5,082**	**4,707**	**Net debt at end of period**	**4,278**	**4,707**

Effects of the restatement: Financial Statements

The following tables illustrate the effects of restatements, following the conclusion of the Consob proceeding, on the Financial Statements at December 31, 2012 and the application of Revised IAS 19.

RECLASSIFIED CONSOLIDATED BALANCE SHEET - PRELIMINARY RESULTS

(€ million)

	December 31, 2012 Approved	Impact of IAS 19	Impact of restatement	December 31, 2012 Restated	December 31, 2013 Preliminary results
Net tangible fixed assets	8,254	–	–	8,254	7,972
Net intangible fixed assets	756	–	–	756	758
	9,010	–	–	9,010	8,730
Financial investments	116	–	–	116	126
Non-current assets	**9,126**	–	–	**9,126**	**8,856**
Net current assets	**922**	**10**	**(245)**	687	829
Employee termination indemnities	**(217)**	**(38)**		**(255)**	**(233)**
CAPITAL EMPLOYED	**9,831**	**(28)**	**(245)**	**9,558**	**9,452**
Shareholders' equity	**5,405**	**(28)**	(245)	5,132	**4,653**
Minority interest in net equity	**148**	**–**	**–**	**148**	**92**
Net debt	**4,278**	**–**	**–**	**4,278**	**4,707**
COVER	**9,831**	**(28)**	**(245)**	**9,558**	**9,452**
Leverage (net debt/shareholders' equity)	**0.77**			**0.81**	**0.99**
SHARES ISSUED AND OUTSTANDING	**441,410,900**			**441,410,900**	**441,410,900**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
NATURE OF EXPENSES - PRELIMINARY RESULTS

(€ million)

	December 31, 2012 Approved	Impact of IAS 19	Impact of restatement	December 31, 2012 Restated	December 31, 2013 Preliminary results
Operating revenues	13,369	–	(245)	13,124	12,256
Other revenues and income	10	–	–	10	8
Purchases, services and other costs	(9,131)	–	–	(9,131)	(9,073)
Payroll and related costs	(2,041)	9	–	(2,032)	(2,320)
GROSS OPERATING RESULT	**2,207**	**9**	**(245)**	**1,971**	**871**
Amortization, depreciation and write-downs	(726)			(726)	(724)
OPERATING RESULT	**1,481**	**9**	**(245)**	**1,245**	**147**
Financial expenses	(148)	(7)	–	(155)	(190)
Income from investments	16	–	–	16	13
INCOME BEFORE INCOME TAXES	**1,349**	**2**	**(245)**	**1, 106**	**(30)**
Income taxes	(393)	–	–	(393)	(106)
INCOME BEFORE MINORITY INTEREST	**956**	**2**	**(245)**	**713**	**(136)**
Minority interest	(54)	–	–	(54)	(23)
NET RESULT	**902**	**2**	**(245)**	**659**	**(159)**
CASH FLOW (Net result + Depreciation and amortization)	**1,628**	**2**	**(245)**	**1,385**	**565**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
FUNCTION OF EXPENSES - PRELIMINARY RESULTS

(€ million)

	December 31, 2012 Approved	Impact of IAS 19	Impact of restatement	December 31, 2012 Restated	December 31, 2013 Preliminary results
Operating revenues	13,369	–	(245)	13,124	12,256
Production costs	(11,360)	9		(11,351)	(11,584)
Idle costs	(154)	–		(154)	(163)
Selling expenses	(160)	–		(160)	(145)
Research and development costs	(15)	–		(15)	(14)
Other operating income (expenses), net	(11)	–		(11)	(15)
CONTRIBUTION FROM OPERATIONS	**1,669**	**9**	**(245)**	**1,433**	**335**
General and administrative expenses	(188)	–	–	(188)	(188)
OPERATING RESULT	**1,481**	**9**	**(245)**	**1,245**	**147**
Financial expenses	(148)	(7)	–	(155)	(190)
Income from investments	16	–	–	16	13
INCOME BEFORE INCOME TAXES	**1,349**	**2**	**(245)**	**1,109**	**(30)**
Income taxes	(393)	–	–	(393)	(106)
INCOME BEFORE MINORITY INTEREST	**956**	**2**	**(245)**	**713**	**(136)**
Minority interest	(54)	–	–	(54)	(23)
NET RESULT	**902**	**2**	**(245)**	**659**	**(159)**
CASH FLOW (Net Result + Depreciation and amortization)	**1,628**	**2**	**(245)**	**1,385**	**565**

RECLASSIFIED STATEMENT OF CASH FLOW - PRELIMINARY RESULTS

(€ million)

	December 31, 2012 Approved	Impact of IAS 19	Impact of restatement	December 31, 2012 Restated	December 31, 2013 Preliminary results
Net result	902	2	(245)	659	(159)
Minority interest	54			54	23
Adjustments to reconcile cash generated from operating income before changes in working capital:		–	–		
Depreciation, amortization and other non-monetary items	706	(2)	–	704	851
Variation in working capital relating to operations	(1,438)	–	245	(1,193)	(287)
Net cash flow from operations	**224**	–	–	**224**	**428**
Investments in tangible and intangible fixed assets	(1,016)	–	–	(1,016)	(908)
Disposals	8	–	–	8	378
Free cash flow	**(784)**	–	–	**(784)**	**(102)**
Buy back of treasury shares/Exercise of stock options	29	–	–	29	–
Cash flow from share capital and reserves	(352)	–	–	(352)	(375)
Effect of exchange rate differences on net debt and other changes	21	–	–	21	48
Change in net debt	**(1,086)**	–	–	**(1,086)**	**(429)**
Net debt at beginning of period	**3,192**	–	–	**3,192**	**4,278**
Net debt at end of period	**4,278**	–	–	**4,278**	**4,707**