Saipem: Results for the first half of 2016

- **Solid operating results in a market that continues to be extremely challenging**
- **New important contract awards related to E&C projects**
- **Guidance for 2016 updated: resilient results thanks to offshore activities**

San Donato Milanese, July 27, 2016 - The Board of Directors of Saipem S.p.A., chaired by Paolo Andrea Colombo, today approved the Saipem Group's consolidated Six-Month Report at June 30, 2016[1].

Stefano Cao, Saipem CEO, commented:

"Saipem achieved robust results in the first half of 2016 thanks to the excellent performance in the execution of Offshore E&C projects, to the long-term contracts which continue to support margins in the offshore drilling sector, and to constant efforts to reduce costs and enhance process efficiency. In spite of the continuing crisis in the oil and gas market, and in particular in the drilling sector, our distinctive competencies supported the acquisition of important contracts, mainly with regards to offshore projects. Saipem's performance during the first half of the year enables us to target a resilient set of full-year results in a market that continues to be extremely complex."

Results for the first half of 2016:

- Revenues: €5,275 million (€5,373 million in the first half of 2015), of which €2,435 million in the second quarter
- Adjusted operating profit (EBIT)[2]: €324 million (-€479 million in the first half of 2015), of which €182 million in the second quarter
- Reported operating profit (EBIT): €237 million (-€790 million in the first half of 2015), of which €95 million in the second quarter
- Adjusted net profit[2]: €140 million (-€609 million in the first half of 2015), of which €79 million in the second quarter
- Reported net profit: €53 million (-€920 million in the first half of 2015), of which -€8 million in the second quarter
- Capital expenditure: €97 million (€268 million in the first half of 2015), of which €52 million in the second quarter
- Net debt at June 30, 2016: €1,970 million (€5,390 million at December 31, 2015; €2,040 million at March 31, 2016);
- New contracts: €3,328 million (€3,500 million in the first half of 2015), of which €2,303 million in the second quarter. Additional contracts worth in excess of €2,500 million were won in July.
- Backlog: €13,899 million (€15,846 million at December 31, 2015)

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[1] *The Six-month Report has been prepared in compliance with the International Accounting Standard IAS 34 "Interim Financial Reporting" and is subject to a limited audit (near completion). The report is subject to review by the Company's Statutory Auditors and Independent Auditors.*

[2] *Adjusted EBIT and adjusted net profit do not include write-downs of overdue receivables from the Onshore Drilling BU (€87 million in the first half of 2016 and €100 million in the first half of 2015) and non-cash asset write-downs (€211 million in the first half of 2015).*

Updated guidance for 2016:

- o Revenues: ~ €10.5 billion
- o Adjusted operating profit (EBIT): ~ €600 million
- o Adjusted net profit: ~ €250 million
- o Capital expenditure: ~ €400 million
- o Net debt: ~ €1.5 billion

Financial highlights

(million euro)

Q2 2015	Q1 2016*	Q2 2016	Q2 2016 vs Q2 2015 (%)		1H 2015	1H 2016	1H 2016 vs 1H 2015 (%)
2,353	2,840	2,435	3.5	Revenues	5,373	5,275	(1.8)
(548)	314	268	ns	EBITDA	(197)	582	ns
(448)	314	355	ns	Adjusted EBITDA	(97)	669	ns
(949)	142	95	ns	Operating result	(790)	237	ns
(638)	142	182	ns	Adjusted operating result	(479)	324	ns
(997)	61	(8)	(99.2)	Net result	(920)	53	ns
(686)	61	79	ns	Adjusted net result	(609)	140	ns
(596)	233	165	ns	Cash flow (net result + depreciation and amortization)	(327)	398	ns
(496)	233	252	ns	Adjusted Cash flow (net result + depreciation and amortization)	(227)	485	ns
118	45	52	(55.9)	Capital expenditure	268	97	(63.8)
1,101	1,025	2,303	ns	New contracts	3,500	3,328	(4.9)

*Part of the net result attributable to minority interests in the first quarter of 2016, relating to a project carried out with third parties, was reclassified in the Operating result. This €37 million reclassification in the operating result of the Offshore Engineering & Construction BU was necessary to allow for a consistent comparison of the performance at Group level. No reclassification has been carried out to the 2015 data, as the amount was negligible.

Revenues and associated profit levels are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules in the Engineering and Construction sector, and by contract expiry and renegotiation timing in the Drilling sector.

Results for the first half of 2016

In the first half of 2016, Saipem achieved positive results despite the still challenging market conditions.
Revenues amounted to €5.3 billion, largely unchanged compared to the first half of 2015.
Adjusted EBIT in the first half amounted to €324 million, thanks to the excellent operative performance of the Offshore Engineering & Construction BU and the resilience of the Offshore Drilling BU, which is still benefitting from long-term contracts acquired at more favourable market rates.
Adjusted net profit in the first half amounted to €140 million.
Capital expenditure in the first half of 2016 amounted to €97 million (€268 million in the first half of 2015), of which €52 million in the second quarter (€118 million in the second quarter of 2015), and relating mainly to the maintenance and upgrading of the existing asset base, as follows:

- €34 million in the Offshore Engineering & Construction sector;
- €3 million in the Onshore Engineering & Construction sector, relating to the purchase of equipment;
- €6 million in the Offshore Drilling sector;
- €9 million in the Onshore Drilling sector.

Net financial debt at June 30, 2016 amounted to €1,970 million, down from December 31, 2015 (€5,390 million) due to the share capital increase operation which was completed in the first quarter of 2016. Cash flow in the first half of 2016 was largely offset by the increase in working capital and by capital expenditure in the period.

Backlog

During the first half of 2016, Saipem was awarded contracts amounting to €3,328 million (€3,500 million in the first half of 2015). Saipem's backlog at June 30, 2016 stood at €13,899 million (€6,605 million in Offshore E&C, €4,864 million in Onshore E&C and €2,430 million in Drilling), of which €3,557 million is due to be realised in 2016.

In July, Saipem was awarded contracts in the Engineering & Construction sector worth in excess of €2.5 billion.

Management outlook for 2016

2016 revenue guidance has been revised to approximately €10.5 billion, due to delays in the award of contracts and variations in the execution schedule of a few projects. Despite this, excellent operational performance, especially in Offshore Engineering & Construction and Offshore drilling, has enabled adjusted operating result guidance to remain unchanged, at approximately €600 million.

Adjusted net profit is expected to be approximately €250 million, due to higher financial expenses and tax rate.

Capital expenditure is expected to be reduced to approximately €400 million.

Net debt at year end is forecast at approximately €1.5 billion; this forecast assumes a recovery in working capital in the second half of the year.

Long-term stock incentive plan

The Board of Directors, at the proposal of the Compensation and Nomination Committee, resolved to launch the implementation of the 2016-2018 Long-Term Stock Incentive Plan ("Plan") approved by the Shareholders' Meeting on April 29, 2016. The Board of Directors set the total number of treasury shares required to implement the Plan at 71,061,344 and vested the CEO with the task of identifying the beneficiaries of the 2016 allocation. The Shareholders' Meeting approved the allocation of up to 85,000,000 treasury shares to the Plan.

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This press release should be read in conjunction with the condensed interim consolidated financial statements at June 30, 2015 and the statutory and consolidated financial statements of Saipem S.p.A. at December 31, 2015, which are available on the Company's website (www.saipem.com) under the section "Investor Relations – Financial Information."

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Saipem's Planning, Administration and Control Officer, Mr Mariano Avanzi, 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 by CEO Stefano Cao today at 6.30 pm CET (5.30 pm GMT, 12.30 pm EST, 9.30 am PST). It will be possible to follow it on Saipem's website (www.saipem.com) by clicking on the webcast banner on the home page or via the following link http://edge.media-server.com/m/p/5ugkhc5s.

During the conference call and webcast, a presentation will be given, which will be available for download from the webcast window and from the 'Investor Relations / Financial Information' section on Saipem's website, around 30 minutes before the scheduled start time. This presentation will be also available for download from the authorised storage device "Nis Storage" at www.emarketstorage.com and Borsa Italiana S.p.A (www.borsaitaliana.it).

Saipem is one of the world leaders in drilling services, as well as in the engineering, procurement, construction and installation of pipelines and complex projects, onshore and offshore, in the oil & gas market. The company has distinctive competences in operations in harsh environments, remote areas and deepwater. Saipem provides a full range of services with "EPC" and "EPCI" contracts (on a "turn-key" basis) and has distinctive capabilities and unique assets with a high technological content.

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Analysis by business sector:

Engineering & Construction: Offshore

(million euro)

Q2 2015	Q1 2016*	Q2 2016	Q2 2016 vs Q2 2015 (%)		1H 2015	1H 2016	1H 2016 vs 1H 2015 (%)
1,637	1,608	1,463	(10.6)	Revenues	3,388	3,071	(9.4)
(1,589)	(1,480)	(1,262)	(20.6)	Expenses	(3,192)	(2,742)	(14.1)
48	128	201	ns	Gross operating result (EBITDA)	196	329	67.9
(231)	(61)	(64)	(72.3)	Depreciation	(310)	(125)	59.7
(183)	67	137	ns	Operating result	(114)	204	ns
150	–	–	ns	Asset write-downs	150	–	ns
(33)	67	137	ns	Adjusted operating result	36	204	ns
2.9	8.0	13.7		EBITDA %	5.8	10.7	
-2.0	4.2	9.4		Adjusted EBIT %	1.1	6.6	
620	358	1,800		New contracts	2,742	2,158	

* Operating result for the first quarter of 2016 includes the reclassification of part of net result attributable to minority interests of €37 million.

Backlog at June 30, 2016: €6,605 million, of which €1,848 due to be realised in 2016.

- Revenues for the first half of 2016 amounted to €3,071 million, down 9.4% compared to the same
- period in 2015. This was mainly attributable to lower volumes recorded in the Middle East, Australia and Russia, which were largely offset by higher volumes recorded in Azerbaijan and Kazakhstan.

- Adjusted operating result for the first half of 2016 amounted to €204 million, equal to 6.6% of revenues, versus €36 million, equal to 1.1% of revenues, in the first half of 2015. The increase is due mainly to higher profitability from projects under execution in Kazakhstan and Azerbaijan. EBITDA margin stood at 10.7% compared to 5.8% for the same period of 2015.

- Operating result for the first half of 2016 amounted to €204 million, versus a loss of €114 million in the first half of 2015 which includes the write-off of certain vessels and of a fabrication yard amounting to a total of €150 million.

- The most significant awards of the second quarter 2016 include:
  - on behalf of BP, call-off 007 under the Shah Deniz Stage 2 Master Agreement, whose scope of work comprises the transport and installation of jackets and topsides, subsea production systems and subsea structures for the Stage 2 development of the Shah Deniz field;
  - an EPCI contract with Trans Adriatic Pipeline AG, part of the Trans Adriatic Pipeline project for the installation of a gas pipeline from Albania to Italy;
  - a contract with Statoil, for the lift and mating operations of offshore floating wind turbines for the Hywind Scotland project;
  - additional works related to the installation of multi-phase pipelines in the Caspian Sea.

Engineering & Construction: Onshore

(million euro)

Q2 2015	Q1 2016*	Q2 2016	Q2 2016 vs Q2 2015 (%)		1H 2015	1H 2016	1H 2016 vs 1H 2015 (%)
290	830	597	ns	Revenues	1,048	1,427	36.2
(969)	(809)	(598)	(38.3)	Expenses	(1,735)	(1,407)	(18.9)
(679)	21	(1)	(99.9)	Gross operating result (EBITDA)	(687)	20	ns
(61)	(11)	(8)	(86.9)	Depreciation	(71)	(19)	73.2
(740)	10	(9)	(98.8)	Operating result	(758)	1	ns
50	–	–	ns	Asset write-downs	50	–	ns
(690)	10	(9)	(98.7)	Adjusted operating result	(708)	1	ns
ns	2.5	-0.2		EBITDA %	-65.6	1.4	
ns	1.2	-1.5		Adjusted EBIT %	-67.6	0.1	
175	649	341		New contracts	431	990	

Backlog at June 30, 2016: €4,864 million, of which €1,234 due to be realised in 2016.

- Revenues for the first half of 2016 amounted to €1,427 million, up 36.2% compared to the same period in 2015, which had been affected by write-offs of pending revenues from various contracts in North America, Australia and West Africa. Higher volumes were recorded in the Middle East.

- Adjusted operating result for the first half of 2016 amounted to €1 million, versus a loss of €708 million in the first half of 2015, which had included the aforementioned write-offs. The near-break-even result achieved in the first half of 2016 was affected by provisions made for a legal dispute, amounting to approximately €15 million.

- Operating result for the first half of 2016 amounted to €1 million, versus a loss of €758 million in the first half of 2015, which includes €50 million write-downs of a fabrication yard.

Drilling: Offshore

(million euro)

Q2 2015	Q1 2016*	Q2 2016	Q2 2016 vs Q2 2015 (%)		1H 2015	1H 2016	1H 2016 vs 1H 2015 (%)
230	243	244	6.1	Revenues	538	487	(9.5)
(111)	(125)	(125)	12.6	Expenses	(274)	(250)	(8.8)
119	118	119	–	Gross operating result (EBITDA)	264	237	(10.2)
(65)	(55)	(56)	(13.9)	Depreciation	(124)	(111)	(10.5)
54	63	63	16.7	Operating result	140	126	(10.0)
11	–	–	ns	Asset write-downs	11	–	ns
65	63	63	(3.1)	Adjusted operating result	151	126	(16.6)
51.7	48.6	48.8		EBITDA %	49.1	48.7	
28.3	25.9	25.8		Adjusted EBIT %	28.1	25.9	
180	–	63		New contracts	189	63	

Backlog at June 30, 2016: €1,586 million, of which €318 million due to be realised in 2016.

- Revenues for the first half of 2016 amounted to €487 million, representing a 9.5% decrease compared to the same period of 2015, mainly attributable to reduced revenues from the drillship Saipem 12000, due to the early closure of a contract, and reduced revenues from the semi-submersible rig Scarabeo 6, which underwent class reinstatement works in the first quarter and was not under contract in the second quarter. In addition, the semi-submersible rigs Scarabeo 3 and Scarabeo 4, which had both been in operation for most of the first half of 2015, did not contribute, as the former was not under contract in the first half 2016 and the latter was scrapped at the end of 2015. The decrease in revenues was slightly offset by increased revenues from the full-scale operations of the drillship Saipem 10000 and the jack-ups Perro Negro 2 and Perro Negro 8, which had undergone upgrading works in the first half of 2015.

- Adjusted operating result for the first half of 2016 amounted to €126 million, compared to €151 million in the first half of 2015, with a margin on revenues of 25.9%, 2% lower than in the same period of 2015, due to reduced revenues from the rigs that had not been under contract or were undergoing maintenance works during the semester. The decrease was partly offset by the increased operational efficiency achieved by the semi-submersible rigs Scarabeo 7 and Scarabeo 8. The EBITDA margin stood at 48.7%, in line with the 49.1% achieved in the first half of 2015.

- Operating result for the first half of 2016 amounted to €126 million, compared to €140 million in the first half of 2015, which had included the write-off of the semi-submersible rig Scarabeo 4.

- The most significant awards of the second quarter 2016 include:
  - a contract on behalf of Eni for the drilling of a well in Portuguese waters, whose operations will begin in the third quarter of 2016;
  - on behalf of Eni Norge, the extension until October 2017 of the contract for the lease of the ultra-deep water semi-submersible drilling rig Scarabeo 8, for operations in the sub-arctic area of the Barents Sea.

- Vessel utilisation in the first half of 2016 and the impact of programmed maintenance and non-operating periods in 2016 are as follows:

Vessel	***1H 2016***			***2016***	
	under contract	***Non-operating***		***Non-operating***	
	(days)			***(days)***	
Semi-submersible rig Scarabeo 3*	–	182	(c)	213	(c)
Semi-submersible rig Scarabeo 5	182	–		–	
Semi-submersible rig Scarabeo 6	14	168	(a+c)	230	(a+c)
Semi-submersible rig Scarabeo 7	182	–		–	
Semi-submersible rig Scarabeo 8	182	–		61	(a)
Semi-submersible rig Scarabeo 9	182	–		46	(a)
Drillship Saipem 10000	182	–		7	(a)
Drillship Saipem 12000	182	–		–	
Jack up Perro Negro 2	182	–		–	
Jack up Perro Negro 3	119	63	(c)	247	(c)
Jack up Perro Negro 4	180	2	(b)	2	(b)
Jack up Perro Negro 5	131	51	(a)	51	(a)
Jack up Perro Negro 7	182	–		–	
Jack up Perro Negro 8	182	–		–	
Tender Assisted Drilling Barge	182	–		14	(a)

***asset to be scrapped**

(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 not/will not be under contract.

Drilling: Onshore

(million euro)

Q2 2015	Q1 2016*	Q2 2016	Q2 2016 vs Q2 2015 (%)		1H 2015	1H 2016	1H 2016 vs 1H 2015 (%)
196	159	131	(33.2)	Revenues	399	290	(27.3)
(232)	(112)	(182)	(21.6)	Expenses	(369)	(294)	(20.3)
(36)	47	(51)	41.7	Gross operating result (EBITDA)	30	(4)	ns
(44)	(45)	(45)	2.3	Depreciation	(88)	(90)	2.3
(80)	2	(96)	20.0	Operating result	(58)	(94)	62.1
100	–	87	(13.0)	Receivable write-downs	100	87	(13.0)
20	2	(9)	ns	Adjusted operating result	42	(7)	ns
32.7	29.6	27.5		EBITDA %	32.6	28.6	
10.2	1.3	-6.9		Adjusted EBIT %	10.5	-2.4	
126	18	99		New contracts	138	117	

Backlog at June 30, 2016: €844 million, of which €157 due to be realised in 2016.

- Revenues for the first half of 2016 amounted to €290 million, a 27.3% decrease on the first half of 2015, due mainly to reduced volumes recorded in South America on account of the oil market crisis having greatly affected the local economies.

- Adjusted operating result for the first half of 2016 amounted to a loss of €7 million compared to €42 million in the first half of 2015, due to rigs not under contract in South America. Adjusted EBITDA was 28.6%.

- The operating result for the first half of 2016 amounted to a loss of €94 million, as it was affected by the write-down of pending revenues amounting to €87 million (€100 million in the first half of 2015).

- New contracts won in the second quarter include contracts on behalf of various clients for the lease of rigs in South America, Saudi Arabia, Kazakhstan and Morocco.

Average utilization of rigs in the second quarter of 2016 was 70.4% (95.3% in the same quarter 2015). At June 30, 2016, Company-owned rigs amounted to 100, located as follows: 28 in Saudi Arabia, 28 in Venezuela, 19 in Peru, 6 in Colombia, 4 in Ecuador, 5 in Kazakhstan, 3 in Bolivia, 2 in Chile, 1 in Italy, 1 in Congo, 1 in Morocco, 1 in Kuwait and 1 in Tunisia.
In addition, 2 units owned by third parties were used in Peru, 1 third-party unit was used in Congo, and 1 in Chile.

Attachments:

- reclassified consolidated balance sheet, reclassified consolidated income statements by nature and function of expenses and reclassified statement of cash flow.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

	December 31, 2015	June 30, 2016
Net tangible assets	7,287	7,016
Intangible assets	758	759
	8,045	7,775
Investments	134	141
Non-current assets	**8,179**	**7,916**
Net current assets	**941**	**1,362**
Provision for employee benefits	**(211)**	**(208)**
Assets (liabilities) available for sale	**-**	-
CAPITAL EMPLOYED, NET	**8,909**	**9,070**
Shareholder's equity	**3,474**	**7,052**
Non-controlling interests	**45**	**48**
Net debt	**5,390**	**1,970**
FUNDING	**8,909**	**9,070**
Leverage (net borrowings/shareholders' equity including minority interest)	**1.53**	**0.28**
SHARES ISSUED AND OUTSTANDING	**441,410,900**	**10,107,834,564**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(million euro)

Q2 2015	Q1 2016*	Q2 2016		First half 2015	First half 2016
2,353	2,840	2,435	Net sales from operations	5,373	5,275
–	–	2	Other income and revenues	–	2
(2,302)	(2,056)	(1,690)	Purchases, services and other costs	(4,349)	(3,746)
(599)	(470)	(479)	Payroll and related costs	(1,221)	(949)
(548)	**314**	**268**	**GROSS OPERATING RESULT**	**(197)**	**582**
(401)	(172)	(173)	Depreciation, amortisation and impairment	(593)	(345)
(949)	**142**	**95**	**OPERATING RESULT**	**(790)**	**237**
(58)	(35)	(35)	Finance expense	(110)	(70)
(17)	3	6	Income from investments	7	9
(1,024)	**110**	**66**	**RESULT BEFORE TAXES**	**(893)**	**176**
30	(47)	(73)	Income taxes	(13)	(120)
(994)	**63**	**(7)**	**RESULT BEFORE THIRD PARTY INTERESTS**	**(906)**	**56**
(3)	(2)	(1)	Net result attributable to third party interests	(14)	(3)
(997)	**61**	**(8)**	**NET RESULT**	**(920)**	**53**
(596)	**233**	**165**	**CASH FLOW (net result + depreciation and amortisation)**	**(327)**	**398**

* Operating result for the first quarter of 2016 includes the reclassification of part of net result attributable to minority interests of €37 million.

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

Q2 2015	Q1 2016*	Q2 2016		First half 2015	First half 2016
2,353	2,840	2,435	Net sales from operations	5,373	5,275
(3,175)	(2,555)	(2,152)	Production costs	(5,901)	(4,707)
(43)	(58)	(95)	Idle costs	(86)	(153)
(31)	(29)	(29)	Selling expenses	(63)	(58)
(2)	(4)	(3)	Research and development expenses	(6)	(7)
(3)	(4)	(14)	Other operating income (expenses), net	(8)	(18)
(901)	**190**	**142**	**CONTRIBUTION FROM OPERATIONS**	**(691)**	**332**
(48)	(48)	(47)	General and administrative expenses	(99)	(95)
(949)	**142**	**95**	**OPERATING RESULT**	**(790)**	**237**
(58)	(35)	(35)	Finance expense	(110)	(70)
(17)	3	6	Income from investments	7	9
(1,024)	**110**	**66**	**RESULT BEFORE TAXES**	**(893)**	**176**
30	(47)	(73)	Income taxes	(13)	(120)
(994)	**63**	**(7)**	**RESULT BEFORE THIRD PARTY INTERESTS**	**(906)**	**56**
(3)	(2)	(1)	Net result attributable third party interests	(14)	(3)
(997)	**61**	**(8)**	**NET RESULT**	**(920)**	**53**
(596)	**233**	**165**	**CASH FLOW (net result + depreciation and amortisation)**	**(327)**	**398**

* Operating result for the first quarter of 2016 includes the reclassification of part of net result attributable to minority interests of €37 million.

RECLASSIFIED CASH FLOW STATEMENT

(million euro)

Q2 2015	Q1 2016*	Q2 2016		First half 2015	First half 2016
(997)	61	(8)	Net profit (loss) for the period	(920)	53
3	2	1	Net result attributable third party interests	14	3
			Adjustments to reconcile cash generated from operating result before changes in working capital:		
573	118	189	Depreciation, amortisation and other non-monetary items	707	307
163	(224)	18	Changes in working capital related to operations	(653)	(206)
(258)	**(43)**	**200**	**Net cash flow from operations**	**(852)**	**157**
(118)	(45)	(52)	Capital expenditure	(268)	(97)
(1)	–	–	Investments and purchase of consolidated subsidiaries and businesses	(1)	–
–	–	4	Disposals	97	4
(377)	**(88)**	**152**	**Free cash flow**	**(1,024)**	**64**
–	–	–	Buy-back of treasury shares/Exercise of stock options	–	–
–	3,436	(1)	Share capital increase net of expenses	–	3,435
–	–	–	Cash flow from capital and reserves	(2)	–
39	2	(81)	Exchange differences on net borrowings and other changes	(81)	(79)
(338)	**3,350**	**70**	**Change in net borrowings**	**(1,107)**	**3,420**
5,193	**5,390**	**2,040**	**Net borrowings at beginning of period**	**4,424**	**5,390**
5,531	**2,040**	**1,970**	**Net borrowings at end of period**	**5,531**	**1,970**

* Changes in working capital related to operations for the first quarter of 2016 include the reclassification part of net result attributable to minority interests of €37 million.