INTERIM REPORT
AT SEPTEMBER 30, 2016

Approved by the Board of Directors
on October 25, 2016

SAIPEM

Saipem: the BoD approves the Strategic Plan for 2017-2020, the results for the third quarter and for the first nine months of 2016

- **Strategic Plan:**
  - **even more challenging market context: rationalization and write-downs impact the 2016 reported result**
  - **new organizational model: improved efficiency, additional cost cuts and greater strategic flexibility; creation of a new entity dedicated to high added value engineering activities and services**
- **Q3 adjusted results in line with expectations, guidance for 2016 confirmed**
- **Debt: guidance for 2016 confirmed; inaugural bond issue completed**
- **Significant contract awards in Q3 allow confident revenue forecasts for 2017**
- **Guidance 2017: EBITDA expected to be approximately €1 billion euro**

San Donato Milanese, October 25, 2016 - The Board of Directors of Saipem S.p.A., chaired by Paolo Andrea Colombo, today approved the Saipem Group's Interim Report at September 30, 2016 (not subject to audit) and the Strategic Plan for 2017-2020.

Results for the first nine months of 2016:

- o Revenues: €7,885 million (€8,445 million in the first nine months of 2015), of which €2,610 million in the third quarter
- o Adjusted EBITDA: €997 million (€224 million in the first nine months of 2015), of which €328 million in the third quarter
- o Adjusted operating profit (EBIT): €479 million (-€336 million in the first nine months of 2015), of which €155 million in the third quarter
- o Adjusted net profit: €200 million (-€562 million in the first nine months of 2015), of which €60 million in the third quarter
- o Reported net profit: -€1,925 million, net of write-downs of €2,125 million (-€866 million in the first nine months of 2015, net of write-downs of €304 million), of which -€1,978 million in the third quarter
- o Capital expenditure: €167 million (€407 million in the first nine months of 2015), of which €70 million in the third quarter
- o Net debt at September 30, 2016: €1,673 million (€5,390 million at December 31, 2015)
- o New contracts: €6,627 million (€5,357 million in the first nine months of 2015), of which €3,299 million in the third quarter
- o Backlog: €14,588 million (€15,846 million at December 31, 2015)

Guidance for 2016 confirmed in line with that provided at H1

- 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

Strategic Plan

The Board of Directors of Saipem S.p.A. has approved the Strategic Plan, which identifies a series of measures that will allow the Company to face more challenging market conditions, with the recovery expected to take longer than previously estimated.
Refocusing the business portfolio, de-risking operations, optimizing costs, making processes more efficient, and emphasising technology and innovation, are all reaffirmed as the basis of the Group's strategy.
To achieve these objectives, it has been decided to adopt a new, leaner, more effective and more efficient organizational model, aimed at entrusting individual businesses with greater responsibility for project outcomes and performance. This will allow for increased decision-making agility, greater consistency between responsibility for results and attribution of decision making levers, complete autonomy in the identification of priorities, and greater focus on project execution.
Five divisions/companies will be created for the following sectors: Offshore Construction; Onshore Construction; Offshore Drilling; Onshore Drilling, and a new entity dedicated to high added value engineering activities and services, aimed at improving the offer in a structured way and bring the Company ever closer to its Clients' needs.
As well as generating greater efficiency in its European based facilities (reduction in headcount of around 800), thanks to the new and leaner operating processes the new organization will lead to a better deployment of human resources competences within the Group. This in turn will enable a process of professional growth - vital for ensuring the retention of key resources - which the economic downturn in the sector has impeded, at least in part. Moreover it will permit maximum flexibility in the evaluation of strategic options for each individual business sector.
The Strategic Plan also includes rationalization of the asset base, mainly concerning a number of vessels and rigs in the Drilling and Offshore E&C sectors, in addition to several yards in the Offshore and Onshore E&C sectors.

Guidance 2017

- o Revenues: ~ €10 billion
- o EBITDA: ~ €1 billion
- o Net profit: > €200 million (inclusive of approximately €30 million for reorganization costs)
- o Capital expenditure: ~ €0.4 billion
- o Net debt: < €1.4 billion

Stefano Cao, Saipem CEO, commented:

"In the first nine months of 2016, we achieved results that are both encouraging and in line with expectations, thanks to solid performances by both the Offshore E&C and Drilling sectors, the latter still benefiting from long-term contracts. In the third quarter, alongside our commitment to continuing our already planned efficiency measures, we saw a positive downtrend in net debt, the completion of the inaugural bond issue and a strong performance in terms of new contract awards. This has enabled us to confirm the guidance previously provided for 2016.
The downturn in our sector, which is lasting longer than initially expected, has affected market prospects and requires reduction in the value of the Company's asset base.
The Strategic Plan that we have just approved aims to respond to these challenges through the adoption of a new organizational model. This provides for the creation of five divisions/companies dedicated to the following sectors: Offshore Construction; Onshore Construction; Offshore Drilling; Onshore Drilling, and a new entity providing high added value engineering activities and services which will allow Saipem to improve its offer in a structured way and satisfy Client needs even more effectively.
This industrial strategy follows on from and completes the extraordinary measures carried out this year, such as the change in shareholding structure, the capital increase and the refinancing of the debt, all of which have enabled the Company to achieve solid financial stability".

Financial highlights

(€ million)

third quarter 2015	second quarter 2016	third quarter 2016	Q3 2016 vs Q3 2015 (%)		First nine months 2015	First nine months 2016	Sept 16 vs Sept 15 (%)
3,072	2,435	2,610	(15.0)	Revenues	8,445	7,885	(6.6)
321	355	328	2.2	Adjusted EBITDA	224	997	ns
143	182	155	8.4	Adjusted operating result	(336)	479	ns
47	79	60	27.7	Adjusted net profit:	(562)	200	ns
54	(8)	(1,978)	ns	Reported net profit:	(866)	(1,925)	ns
225	252	233	3.6	Adjusted cash flow (net result + depreciation and amortization)	(2)	718	ns
139	52	70	49.6	Capital expenditure	407	167	(59.0)
1,857	2,303	3,299	77.7	New contracts	5,357	6,627	23.7

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 nine months of 2016

In the first nine months of 2016, Saipem achieved positive results, despite the still challenging market conditions.

Revenues amounted to €7.9 billion, a slight decrease (-6.6%) compared to the first nine months of 2015.

Adjusted EBIT in the first nine months amounted to €479 million, thanks to the excellent operative performance of the Offshore Engineering & Construction BU and the resilience of the Offshore Drilling BU, which is still benefiting from long-term contracts acquired at more favourable market rates than present ones.

Adjusted net profit in the first nine months amounted to €200 million.

Capital expenditure in the first nine months amounted to €167 million (€407 million in the first nine months of 2015), of which €70 million in the third quarter (€139 million in the third quarter of 2015), and relating mainly to the maintenance and upgrading of the existing asset base, as follows:

- €30 million in Offshore Engineering & Construction;
- €2 million in Onshore Engineering & Construction;
- €19 million in Offshore Drilling;
- €19 million in Onshore Drilling.

Net financial debt at September 30, 2016 amounted to €1,673 million, down from December 31, 2015 (€5,390 million). This decrease is due to the share capital increase operation which was completed in the first quarter of 2016 as well as the cash flow generated in the first nine months of 2016.

Backlog

During the first nine months of 2016, Saipem was awarded new contracts amounting to €6,627 million (€5,357 million in the first nine months of 2015). Saipem's backlog at September 30, 2016 stood at €14,588 million (€7,046 million in Offshore E&C, €5,030 million in Onshore E&C and €2,512 million in Drilling), of which €1,850 million is due to be realized in 2016.

2016 Guidance

The guidance announced with the publication of the results for the first half of 2016 is confirmed as follows:

- o Revenues: ~ €10.5 billion
- o Adjusted operating profit (EBIT): ~ €0.6 billion
- o Adjusted net profit: ~ €0.25 billion
- o Capital expenditure: < €0.4 billion
- o Net debt: **~ €**1.5 billion

Reported net profit

When compared to adjusted net profit, reported net profit, amounting to -€1,925 million (-€866 million in the first nine months of 2015), was reduced by the following special items:

- asset write-downs resulting from the Strategic Plan and subsequent preliminary impairment test[1]: €1,981 million (€204 million in the first nine months of 2015)
- write-off of overdue receivables in the Onshore Drilling sector: €144 million (€100 million in the first nine months of 2015)

The special items relating to the reported result are as follows:

- In Offshore Drilling, several vessels, mainly semi-submersible platforms, have been partially written down following preliminary impairment tests; furthermore, two jack-ups and a semi-submersible platform have been fully written down, as the possibility of using them in the framework of the Strategic Plan is not contemplated. The estimated impact is about €1.1 billion;
- In Onshore Drilling, several drilling rigs have been partially written down following preliminary impairment tests; furthermore, the assets based in a Latin American country have been fully written down, as the possibility of using them in the framework of the Strategic Plan is not contemplated. The estimated impact is about €0.2 billion;
- In Offshore E&C, a vessel has been fully written down, as the possibility of using it in the framework of the Strategic Plan is not contemplated; two FPSOs have been partially written down following preliminary impairment tests. Furthermore, several fabrication yards with reduced prospects for use in the framework of the Strategic Plan have been partially written down. The estimated impact is about €0.4 billion;
- In Onshore E&C, a fabrication yard has been fully written down due to lack of prospects for use in the framework of the Strategic Plan, and a logistical base has been partially written down. The estimated impact is about €0.1 billion;
- Due to the above write-downs, as well as to the reduction in activities and margins in several countries, the related fiscal assets have consequently also been written down. The estimated impact is about €0.2 billion.

[1] *The final impairment test will be performed on actual results and will be released in February 2017.*

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This press release should be read jointly with the condensed interim consolidated financial statements at June 30, 2016 and the statutory and consolidated financial statements at December 31, 2015 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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Publication of these nine monthly financial statements as of September 30, 2016 was done in continuity with the past while awaiting the complete definition of the regulatory framework.

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 article 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

The results contained in this press release will be illustrated in a conference call and webcast which will be hosted by CEO Stefano Cao today at 6.30 pm CEST (5.30 pm BST, 12.30 pm EDT, 9.30 am PDT). The conference call 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://edge.media-server.com/m/p/yqubof2f During the conference call and webcast, a presentation will be given which can be downloaded from the webcast window and from the "Investor Relations/Financial Information" section on Saipem's website www.saipem.com around 30 minutes before the scheduled start time. This presentation will be also available for download from the authorized storage device "Nis Storage" (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)

third quarter 2015	second quarter 2016	third quarter 2016	Q3 2016 vs Q3 2015 (%)		First nine months 2015	First nine months 2016	Sept 16 vs Sept 15 (%)
1,721	1,463	1,481	(13.9)	Revenues	5,109	4,552	(10.9)
(1,618)	(1,262)	(1,312)	(18.9)	Expenses	(4,810)	(4,054)	(15.7)
103	201	169	64.1	Adjusted EBITDA	299	498	66.6
(66)	(64)	(63)	(4.5)	Depreciation	(226)	(188)	(49.1)
37	137	106	ns	Adjusted operating result	73	310	ns
6.0	13.7	11.4		Adjusted EBITDA %	5.9	10.9	
2.1	9.4	7.2		Adjusted EBIT %	1.4	6.8	
666	1,800	1,922	ns	New contracts	3,408	4,080	19.7

Backlog at September 30, 2016: €7,046 million, of which €923 million is due to be realized in 2016.

- Revenues for the first nine months of 2016 amounted to €4,552 million, down 10.9% 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.

- The adjusted operating result for the first nine months of 2016 amounted to €310 million, equal to 6.8% of revenues, versus €73 million, equal to 1.4% of revenues, in the first nine months of 2015. The improvement is due mainly to the greater contribution of projects under execution in Kazakhstan and Azerbaijan. The EBITDA margin stood at 10.9% compared to 5.9% for the same period of 2015.

- The most significant contracts awarded in the third quarter include:
  - on behalf of Petrobel, the project for the development of the Zohr “supergiant” gas field, located off the Egyptian coast in the Mediterranean sea. The EPCI contract encompasses the installation of a gas export pipeline and service pipelines, as well as EPCI work for the field development in deep water of 6 wells and the installation of umbilical cables;
  - on behalf of BP Berau Ltd, offshore work in Indonesia on the Tangguh LNG Expansion Project. The EPCI contract encompasses the engineering, procurement, construction and installation of two unmanned platforms and subsea pipelines.

Engineering & Construction: Onshore

(€ million)

third quarter 2015	second quarter 2016	third quarter 2016	Q3 2016 vs Q3 2015 (%)		First nine months 2015	First nine months 2016	Sept 16 vs Sept 15 (%)
886	597	772	(12.9)	Revenues	1,934	2,199	13.7
(869)	(598)	(763)	(12.2)	Expenses	(2,604)	(2,170)	(16.7)
17	(1)	9	(47.1)	Adjusted EBITDA	(670)	29	ns
(10)	(8)	(8)	(20.0)	Depreciation	(31)	(27)	(12.9)
7	(9)	1	ns	Adjusted operating result	(701)	2	ns
1.9	-0.2	1.2		Adjusted EBITDA %	-34.6	1.3	
0.8	-1.5	0.1		Adjusted EBIT %	-36.2	0.1	
934	341	938	0.4	New contracts	1,365	1,928	41.2

Backlog at September 30, 2016: €5,030 million, of which €702 million is due to be realized in 2016.

- Revenues for the first nine months of 2016 amounted to €2,199 million, up 13.7% compared to the same period in 2015, characterized by a significant decrease in revenue estimates on various contracts in North America, Australia and West Africa. Greater volumes of activities were recorded in the Middle East.

- The adjusted operating result for the first nine months of 2016 amounted to €2 million, versus a loss of €701 million in the first nine months of 2015, which included the above-mentioned estimate corrections. The near-break-even result achieved in the first nine months of 2016 was negatively affected by provisions set aside in the second quarter for a legal dispute, amounting to approximately €15 million.

- In the third quarter of 2016, Saipem was awarded a contract by BP Berau Ltd for onshore work in Indonesia on the Tangguh LNG Expansion Project. The EPC contract encompasses the construction of an onshore LNG plant with a liquefaction capacity of 3.8 million tons per annum, utilities, offsites, an LNG jetty and associated infrastructures.

Drilling: Offshore

(€ million)

third quarter 2015	second quarter 2016	third quarter 2016	Q3 2016 vs Q3 2015 (%)		First nine months 2015	First nine months 2016	Sept 16 vs Sept 15 (%)
272	244	233	(14.3)	Revenues	810	720	(11.1)
(185)	(125)	(111)	(18.4)	Expenses	(410)	(361)	(12.0)
136	119	122	(10.3)	Adjusted EBITDA	400	359	(10.3)
(55)	(56)	(59)	7.3	Depreciation	(168)	(170)	1.2
81	63	63	(22.2)	Adjusted operating result	232	189	(18.5)
50.0	48.8	52.4		Adjusted EBITDA %	49.4	49.9	
29.8	25.8	27.0		Adjusted EBIT %	28.6	26.3	
6	63	49		New contracts	195	112	

Backlog at September 30, 2016: €1,402 million, of which €133 million is due to be realized in 2016.

- Revenues for the first nine months of 2016 amounted to €720 million, representing an 11.1% 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 following six months. In addition, the semi-submersible rigs Scarabeo 3 and Scarabeo 4, which had both been in operation for most of the first nine months of 2015, were either idle or scrapped in 2016. The decrease 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 nine months of 2015.

- The adjusted operating result for the first nine months of 2016 amounted to €189 million, compared to €232 million in the first nine months of 2015, with a margin on revenues of 26.3%, approximately 2% lower than in the same period for 2015, due to reduced revenues from the rigs that had not been under contract or were undergoing maintenance works during the period. 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 49.9%, in line with the 49.4% achieved in the first nine months of 2015.

Vessel utilization in the first nine months of 2016, and the impact of programmed maintenance and non-operating periods in 2016, are as follows:

Vessel	***First nine months 2016***			***2016***	
	Under contract	***Idle***		***Idle***	
	(days)			***(days)***	
Semi-submersible rig Scarabeo 3	–	274	(c)	305	(c)
Semi-submersible rig Scarabeo 5	274	–		–	
Semi-submersible rig Scarabeo 6	14	260	(a+c)	352	(a+c)
Semi-submersible rig Scarabeo 7	274	–		–	
Semi-submersible rig Scarabeo 8	274	–		61	
Semi-submersible platform Scarabeo 9	274	–		42	
Drillship Saipem 10000	274	–		7	
Drillship Saipem 12000	274	–		–	
Jack up Perro Negro 2	274	–		–	
Jack up Perro Negro 3	119	155	(c)	247	(c)
Jack up Perro Negro 4	272	2	(b)	2	(b)
Jack up Perro Negro 5	222	52	(a+b)	52	(a+b)
Jack up Perro Negro 7	274	–		–	
Jack up Perro Negro 8	274	–		–	
Tender Assisted Drilling Barge	274	–		–	

* asset to be scrapped

(a) = the vessel underwent/will 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)

third quarter 2015	second quarter 2016	third quarter 2016	Q3 2016 vs Q3 2015 (%)		First nine months 2015	First nine months 2016	Sept 16 vs Sept 15 (%)
193	131	124	(35.8)	Revenues	592	414	(30.1)
(128)	(95)	(96)	(25.0)	Expenses	(397)	(303)	(23.7)
65	36	28	(56.9)	Adjusted EBITDA	195	111	(43.1)
(47)	(45)	(43)	(8.5)	Depreciation	(135)	(133)	(1.5)
18	(9)	(15)	ns	Adjusted operating result	60	(22)	ns
33.7	27.5	22.6		Adjusted EBITDA %	32.9	26.8	
9.3	-6.9	-12.1		Adjusted EBIT %	10.1	-5.3	
251	99	390		New contracts	389	507	

Backlog at September 30, 2016: €1,110 million, of which €92 million is due to be realized in 2016.

- Revenues for the first nine months of 2016 amounted to €414 million, a 30.1% decrease on the first nine months of 2015, due mainly to reduced volumes recorded in South America on account of the oil market crisis having greatly affected the local economies.

- The adjusted operating result for the first nine months of 2016 amounted to a loss of €22 million compared to a profit of €60 million in the first nine months of 2015, due to an increase in the costs of idle rigs in South America. Adjusted EBITDA was 26.8%.

- Acquisitions in the third quarter include new contracts and extensions to existing contracts in the Middle East and South America. Specifically, Saipem was awarded:
  - a three-year extension for works relating to operations by 10 drilling rigs in Saudi Arabia;
  - various extensions, ranging from 2 to 24 months in duration, for medium to high-power rigs in Peru, Colombia and Chile;
  - a new 18-month contract for the lease of a hydraulic rig in Argentina.

Average utilization of rigs in the third quarter of 2016 was 66.7% (92.3% in the same quarter of 2015). As of September 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 the 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 the Congo, and 1 in Chile.

Attachments:

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

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€ million)

	December 31, 2015	September 30, 2016
Net tangible assets	7,287	5,241
Intangible assets	758	759
	8,045	6,000
Investments	134	138
Non-current assets	**8,179**	**6,138**
Net current assets	**941**	**795**
Provisions for employee benefits	**(211)**	**(207)**
Assets (liabilities) available for sale	**-**	**-**
CAPITAL EMPLOYED, NET	**8,909**	**6,726**
Shareholders' equity	**3,474**	**5,038**
Non-controlling interests	**45**	**15**
Net debt	**5,390**	**1,673**
FUNDING	**8,909**	**6,726**
Leverage (net borrowings/shareholders' equity including non-controlling interests)	**1.53**	**0.33**
SHARES ISSUED AND OUTSTANDING	**441,410,900**	**10,109,774,396**

ADJUSTED CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(€ million)

3rd quarter 2015	2nd quarter 2016	3rd quarter 2016		First nine months 2015	First nine months 2016
3,072	2,435	2,610	Net sales from operations	8,445	7,885
2	2	5	Other income and revenues	2	7
(2,219)	(1,603)	(1,866)	Purchases, services and other costs	(6,468)	(5,525)
(534)	(479)	(421)	Payroll and related costs	(1,755)	(1,370)
321	**355**	**328**	**GROSS OPERATING RESULT**	**224**	**997**
(178)	(173)	(173)	Depreciation, amortization and impairment	(560)	(518)
143	**182**	**155**	**OPERATING RESULT**	**(336)**	**479**
(72)	(35)	(45)	Finance expense	(182)	(115)
(9)	6	(2)	Income from investments	(2)	7
62	**153**	**108**	**RESULT BEFORE TAXES**	**(520)**	**371**
(29)	(73)	(47)	Income taxes	(42)	(167)
33	**80**	**61**	**RESULT BEFORE NON-CONTROLLING INTERESTS**	**(562)**	**204**
14	(1)	(1)	Net profit attributable to non-controlling interests	–	(4)
47	**79**	**60**	**NET RESULT**	**(562)**	**200**
225	252	233	CASH FLOW (net result + depreciation and amortization)	(2)	718
7	(87)	(2,038)	SPECIAL ITEMS	(304)	(2,125)
54	**(8)**	**(1,978)**	**REPORTED NET RESULT**	**(866)**	**(1,925)**

ADJUSTED CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(€ million)

3rd quarter 2015	2nd quarter 2016	3rd quarter 2016		First nine months 2015	First nine months 2016
3,072	2,435	2,610	Net sales from operations	8,445	7,885
(2,792)	(2,065)	(2,300)	Production costs	(8,382)	(6,920)
(48)	(95)	(75)	Idle costs	(134)	(228)
(31)	(29)	(27)	Selling expenses	(94)	(85)
(4)	(3)	(3)	Research and development expenses	(10)	(10)
(4)	(14)	(3)	Other operating income (expenses), net	(12)	(21)
193	**229**	**202**	**CONTRIBUTION FROM OPERATIONS**	**(187)**	**621**
(50)	(47)	(47)	General and administrative expenses	(149)	(142)
143	**182**	**155**	**OPERATING RESULT**	**(336)**	**479**
(72)	(35)	(45)	Finance expense	(182)	(115)
(9)	6	(2)	Income from investments	(2)	7
62	**153**	**108**	**RESULT BEFORE TAXES**	**(520)**	**371**
(29)	(73)	(47)	Income taxes	(42)	(167)
33	**80**	**61**	**RESULT BEFORE NON-CONTROLLING INTERESTS**	**(562)**	**204**
14	(1)	(1)	Net result attributable to non-controlling interests	–	(4)
47	**79**	**60**	**NET RESULT**	**(562)**	**200**
225	252	233	**CASH FLOW (net result + depreciation and amortization)**	(2)	718
7	(87)	(2,038)	SPECIAL ITEMS	(304)	(2,125)
54	**(8)**	**(1,978)**	**REPORTED NET RESULT**	**(866)**	**(1,925)**

RECLASSIFIED CASH FLOW STATEMENT

(million euro)

3rd quarter 2015	2nd quarter 2016	3rd quarter 2016		First nine months 2015	First nine months 2016
54	(8)	(1,978)	Net profit (loss) for the period	(866)	(1,925)
(14)	1	1	Net result attributable to non-controlling interests	-	4
			Adjustments to reconcile cash generated from operating result before changes in working capital:		
190	189	1,821	Depreciation, amortization and other non monetary items	913	2,128
(383)	48	556	Changes in working capital related to operations	(1,052)	380
(153)	**200**	**400**	**Net cash flow from operations**	**(1,005)**	**587**
(139)	(52)	(70)	Capital expenditure	(407)	(167)
–	–	–	Investments and purchase of consolidated subsidiaries and businesses	(1)	–
12	4	–	Disposals	109	4
(280)	**182**	**330**	**Free cash flow**	**(1,304)**	**424**
	–	(26)	Buy-back of treasury shares/Exercise of stock options	-	(26)
–	(1)	–	Share capital increase net of expenses	–	3,435
(17)	–	(36)	Cash flow from capital and reserves	(17)	(36)
92	(81)	(1)	Exchange differences on net borrowings and other changes	9	(80)
(205)	**100**	**267**	**Change in net borrowings**	**(1,312)**	**3,717**
5,531	**2,040**	**1,940**	**Net borrowings at beginning of period**	**4,424**	**5,390**
5,736	**1,940**	**1,673**	**Net borrowings at end of period**	**5,736**	**1,673**

Headquarters: San Donato Milanese (Milan) - Italy
Via Martiri di Cefalonia, 67
Branches:
Cortemaggiore (Piacenza) - Italy
Via Enrico Mattei, 20

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Società per Azioni
Share Capital €2,191,384,693 fully paid up
Tax identification number and Milan Companies' Register
No. 00825790157

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