eni saipem

SAIPEM: Board of Directors approves Six-Month Report at June 30, 2014

San Donato Milanese, July 29, 2014- The Board of Directors of Saipem S.p.A. today reviewed Saipem's consolidated Six-Month Report at June 30, 2014, which 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.

Second quarter 2014 [1]:

- **Revenues: €3,075 million**
- **EBIT: €166 million**
- **Net profit: €75 million**

First half 2014 [1]:

- **Revenues: €5,966 million**
- **EBIT: €293 million**
- **Net profit: €136 million**

- **Investments: €329 million (€490 million in the first half 2013)**
- **Net debt: €5,104 million (€4,760 million at December 31, 2013)**
- **New contracts: €13,132 million (€6,704 million in the first half 2013)**
- **Backlog: €24,215 million at June 30, 2014 (€17,065 million at December 31, 2013 [2])**

Guidance 2014:

- **Revenues: approximately €13 billion**
- **EBIT between €600 and €700 million**
- **Net profit between €280 and €330 million**
- **Capex: approximately €750 million**
- **Net debt between €4.2 and €4.5 billion**

---

[1] *Following the introduction of the IFRS10 and IFRS11 accounting principles, the rules for consolidating investments within the shareholdings of the Saipem Group have been redefined. In particular, IFRS11 requires that investments in Joint Venture with effect from January 1, 2014 are accounted for using the Net Equity method; previously these shareholdings were consolidated using the proportional method. The Group's operating data are presented according to the new consolidation rules, while data pertaining to previous periods have been restated for comparison purposes. For details, please refer to the section "Effects of the application of IFRS 11and IAS 8.42: Financial Statements".*

[2] *The €449 million variation versus the previously announced €17,514 million at December 31, 2013 pertains to the deconsolidation of joint-venture contracts: €127 million in the Offshore E&C sector and €322 million in the Onshore E&C sector.*

Umberto Vergine, Saipem CEO, commented:

"The strong start we made in the first quarter, in terms of winning new business in line with our strict commercial criteria, accelerated even further with a record €9.2 billion of new awards during the second quarter.
Saipem continues to be committed and is making progress in the execution and negotiation of legacy contracts. This remains our highest priority, as we work to strengthen our balance sheet and reduce our debt levels. The task of restoring Saipem to full health is not yet complete, but the components for a recovery are in place as we work towards realizing the Company's potential in the medium term".

Financial highlights

(million euro)

Q2 2013	Q1 2014	Q2 2014	Q2 2014 vs Q2 2013 (%)		1H 2013	1H 2014	1H 2014 vs 1H 2013 (%)
2,253	2,891	3,075	36.5	Revenues	5,246	5,966	13.7
(252)	303	352	ns	EBITDA	126	655	ns
(428)	127	166	ns	Operating profit	(225)	293	ns
(440)	61	75	ns	Net profit	(330)	136	ns
(264)	237	261	ns	Cash flow (Net profit + Depreciation and amortisation)	21	498	ns
151	204	125	(17.2)	Investments	490	329	(32.9)
3,913	3,900	9,232	135.9	New contracts	6,704	13,132	95.9

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.

Capital expenditure in the second quarter of 2014 amounted to €125 million (€151 million in the second quarter of 2013) and included:
- €44 million in the Offshore Engineering & Construction sector, relating mainly to the final stages of development of a new fabrication yard in Brazil, class reinstatement works for the heavy lift vessel Saipem 3000 and the maintenance and upgrading of the existing asset base;
- €6 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and the maintenance of existing assets;
- €37 million in the Offshore Drilling sector, mainly relating to class reinstatement works for the semi-submersible rig Scarabeo 7, in addition to the maintenance and upgrading of the existing asset base;
- €38 million in the Onshore Drilling sector relating to the upgrading of rigs due to operate in Saudi Arabia and maintenance of the existing asset base.

Net financial debt at June 30, 2014 amounted to €5,104 million, an increase of €344 million compared to December 31, 2013, but a decrease of €500 million compared to March 31, 2014.

This positive U-turn is due to the cash-flow generated in the second quarter, which covered all capital expenditure, and an improvement in working capital.

The factors underpinning the improvement in working capital in the second quarter were the receipt of approximately €300 million from new contracts, specifically South Stream and Kaombo, and the successful completion of commercial negotiations with clients on several low-margin contracts, resulting in the recovery of approximately €150 million.

New contracts and backlog

During the second quarter of 2014, Saipem was awarded contracts amounting to €9,232 million (Q2 2013: €3,913 million), an exceptional achievement by the Engineering & Construction Business Units, and the Offshore sector in particular.

Saipem's backlog as at June 30, 2014 stood at €24,215 million (€13,374 million in the Offshore Engineering & Construction sector, €6,552 million in the Onshore Engineering & Construction sector and €4,289 million in the Drilling sectors), of which €5,827 million is due to be realised in 2014.

In July 2014, Saipem was awarded contracts in excess of €1 billion.

All of these new contracts have been written on terms that are in line with Saipem's clearly stated commercial strategy, adopted from the beginning of 2013.

Management outlook for 2014

2014 remains a year of transition and Saipem has slightly revised the guidance presented at year-end 2013. Revenues, previously projected to be between €12.5 and €13.6 billion, have now been set at approximately €13 billion. The EBIT range, previously estimated at between €600 and €750 million, has been narrowed down to between €600 and €700 million, while net profit, previously projected to be between €280 and €380 million, is now expected to be between €280 and €330 million.

The EBIT and net profit targets were affected by elements which emerged during the second quarter: the delay in the start of new projects, the postponement by Statoil of works to be performed by Scarabeo 5 from October 2014 to January 2015, and the protracted maintenance downtime of Scarabeo 7. These new elements have compounded the impact of the operational problem on the P55 project disclosed in April. The guidance, previously based on the "management view", is also affected by the impact of the new financial standards IFRS 10 and IFRS 11, regulating the consolidation of joint ventures.
The efficient execution of low-margin legacy contracts, which should account for approximately €2.7 billion for the remainder of 2014, remains an important factor in achieving the year's guidance.

The capex guidance is unchanged at €750 million.

With regard to net debt, Saipem revised the previous 2014 guidance from €4.2 billion to a range of between €4.2 and €4.5 billion, in view of the uncertainty around the timing of payments to be received following the successful conclusion of negotiations on low-margin contracts in the second quarter. However, Saipem is confident of an improvement in working capital from the current levels.

Medium-term target

In the medium-term, as low-margin legacy contracts are completed and replaced by profitable contracts, Saipem can expect a return to a normal E&C business with margins in line with the historical average.

In particular, in Offshore E&C Saipem expects to achieve revenues between €6 and €7 billion; average EBIT margins of Offshore E&C business are expected to be between 10% and 20%; for Floaters, the results of which are included in the Offshore E&C Business Unit, average margins should be just below 10%. Therefore, the average margin for the Business Unit will depend on the proportion in the contribution of these different types of operations.
In the Onshore E&C sector, Saipem expects to attain annual revenues of between €3.5 and €4.5 billion, with EBIT of around 5%.

Furthermore, in the medium-term, the Drilling sector is expected to perform in line with recent years thanks to the long term contracts in place.

The Company forecasts that capital expenditure on investments, focused on the maintenance and upgrading of our fleet and investment in new equipment for specific projects, will remain steady at €750 million.

Finally, on the basis of these targets, net financial debt is expected to decrease progressively to reach €2 billion by the end of 2017.

Newly issued accounting standards: 2013 restated data

On December 11, 2012, the European Union published Commission Regulation 1254/2012 endorsing the standard IFRS 10 “Consolidated Financial Statements” (hereinafter “IFRS10”) and the amendment to IAS 27 “Separate Financial Statements” (hereinafter “IAS 27). These outline the requirements for the presentation and preparation of the Consolidated and Separate Financial Statements. IFRS 10 provides a new definition of control to be applied uniformly to all companies (including special purpose entities), according to which an investor is able to exercise control if it is exposed to or shares the profits and losses of the investee or if it can exercise its power to affect the amount of the investor’s return. This standard provides indicators to be considered when assessing the existence of control over an entity including, amongst others, potential rights, merely protective rights, agency or franchising agreements. The new provisions also recognize that control can be exercised over an investee even when the investor does not hold the majority of voting rights, due to the fragmentation of the shares or the passive attitude of the other Shareholders. IFRS 10 and IAS 27 are effective for annual periods beginning on or after January 1, 2014.

Furthermore, on December 11, 2012, the European Union published Commission Regulation 1254/2012 endorsing the standard IFRS 11 “Joint Agreements” (hereinafter “IFRS 11”) and the amendment to IAS 28 “Investments in Associates and Joint Ventures” (hereinafter “IAS 28”).
IFRS 11, by assessing the entity’s rights and obligations, defines two types of joint arrangement: joint operations and joint ventures, and regulates how they are accounted for in the Financial Statements. With regard to joint ventures, the new provisions indicate only one possible accounting method, the net equity method, ruling out proportional consolidation. With regard to joint operation entities, assets/liabilities and revenues/expenses are accounted for based on the rights/obligations connected with the agreement irrespective of the interests held. The amended version of IAS 28 regulates, amongst other things, how to account for the total or partial sale of an investment in a jointly-controlled or associated entity. IFRS 11 and IAS 28 are effective for annual periods beginning on or after January 1, 2014.

For the purposes of comparison, Saipem restated the 2013 financial statements.

The following tables show the main restatements of the Interim Report as at March 31, 2013 and the Financial Statements consolidated as at December 31, 2013. For further details please refer to the section “Effects of the application of IFRS 11: Financial Statements”.

Proportional consolidation of joint ventures implies a variation of all items of the Balance Sheet and Income Statement with counter-variations in the Income Sheet item “Income (expenses) from investments” and the Balance sheet item “Investments”. Net profit and Shareholders’ Equity for the period are unchanged due to the application of the IFRS 11.

Closing of Consob proceeding 1612/2013: 2013 restated data

As announced in the press release of February 11, 2014 and in accordance with the effects arising from the decision to apply IAS 8.42 to the 2012 Financial Statement comparable data, the Income Statement for the second quarter of 2013, and consequently the Income Statement for the first half of 2013 both restated by Saipem include revenues of €245 million, previously ascribed to 2012.

***

This press release should be read jointly with the condensed interim consolidated financial statements as of June 30, 2013 and the statutory and consolidated financial statements as of December 31, 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."

***

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 by CEO Umberto Vergine today at 5.30pm CET (4.30pm GMT, 11.30pm EST, 8.30am PST). It 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/8ijjtmq9.

During the conference call and webcast, a presentation will be given, which will be available to 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 in the Engineering & Construction and Drilling businesses, 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.

Website: www.saipem.com
Switchboard: +39-025201
Shareholder Information
Saipem S.p.A., Via Martiri di Cefalonia, 67 - 20097 San Donato Milanese (MI), Italy

Institutional relations and communication:
Tel.: +39-02520.34088
E-mail: media.relations@saipem.com

Relations with institutional investors and financial analysts:
Tel.: +39-02520.34653
Fax: +39-02520.54295
E-mail: investor.relations@saipem.com

Media relations:

iCorporate
Tel.: +39 02 4678752
Cell.: +39 366 9134595
E-mail: saipem@icorporate.it

RLM Finsbury
Tel.:+44 (0)20 7251 3801
saipem@rlmfinsbury.com

Analysis by business sector

Engineering & Construction: Offshore

(million euro)

Q2 2013	Q1 2014	Q2 2014	Q2 2014 vs Q2 2013 (%)		1H 2013	1H 2014	1H 2014 vs 1H 2013 (%)
901	1.505	1.679	86.3	Revenues	2,166	3,184	47.0
(1,006)	(1,379)	(1,478)	46.9	Expenses	(2,138)	(2,857)	33.6
(69)	(66)	(81)	17.4	Depreciation and amortization	(135)	(147)	8.9
(174)	60	120	ns	Operating profit	(107)	180	ns
-11.7	8.4	12.0		EBITDA %	1.3	10.3	
-19.3	4.0	7.1		EBIT %	-4.9	5.7	
3,138	2,711	5,527		New contracts	4,038	8,238	

The backlog at June 30, 2014 stood at €13,374 million, of which €3,670 million is due to be realised in 2014.

- Revenues for the first half of 2014 amounted to €3,184 million, representing a 47% increase compared to the first half of 2013, mainly due to higher levels of activity in West Africa, Central and South America and the Middle East.
- Operating profit for the first half of 2014 amounted to €180 million, equal to 5.7% of revenues, compared to -€107 million in the first half of 2013. The EBITDA margin stood at 10.3% compared to the 1.3% margin recorded in the same period of 2013.
- The deconsolidation of joint ventures at June 30, 2014, has a negative impact of €99 million on revenues and of €6 million on operating profit, deriving mainly from operations in Angola (negative impact of €44 million on revenues and no impact on operating profit in the first half of 2013).

- The main contracts acquired in the second quarter of 2014 include:
  - For Total, the EPCI Kaombo project in Angola, encompassing engineering, procurement and commissioning of two FPSO (Floating Production Storage and Offloading) units, in addition to a seven-year contract for the management and maintenance of the two units;
  - for BP, a T&I contract in Azerbaijan for the transport and installation of jackets and topsides, and subsea production systems and subsea structures for the Stage 2 Development of the Shah Deniz field;
  - for Petrobras, the EPCI Lula Norte, Lula Sul and Lula Extremo Sul Project in Brazil, comprising engineering, procurement, fabrication and installation of 3 subsea pipelines;
  - for South Stream Transport BV, a contract in Russia for the provision of supporting work in the construction of the second line of the South Stream Offshore Pipeline. The work includes: engineering, coordination of storage yards, cable crossing preparation, and connecting the offshore pipeline to the landfall sections through so-called “tie ins”.

Engineering & Construction: Onshore

(million euro)

Q2 2013	Q1 2014	Q2 2014	Q2 2014 vs Q2 2013 (%)		1H 2013	1H 2014	1H 2014 vs 1H 2013 (%)
875	935	955	9.1	Revenues	2,118	1,890	(10.8)
(1,234)	(954)	(998)	(19.1)	Expenses	(2,455)	(1,952)	(20.5)
(6)	(10)	(9)	50	Depreciation and amortization	(14)	(19)	35.7
(365)	(29)	(52)	ns	Operating profit	(351)	(81)	ns
-41.0	-2.0	-4.5		EBITDA %	-15.9	-3.3	
-41.7	-3.1	-5.4		EBIT %	-16.6	-4.3	
707	973	3,355		New contracts	1,635	4,328	

* In addition to the deconsolidation of joint-ventures following the introduction of the new accounting principles, this amount includes €245 million of revenues and profits relating to the restatement in compliance with the application of IAS 8.42.

The backlog at June 30, 2014 stood at €6,552 million, of which €1,372 million is due to be realised in 2014.

- Revenues for the first half of 2014 amounted to €1,890 million, representing a 10.8% decrease compared to the first half of 2013, mainly due to lower levels of activity in the Middle East and North Africa, partially offset by greater levels of activity recorded in West Africa, and Central and South America.
- Operating profit for the first half of 2014 amounted to -€81 million, compared to -€351 million in the first half of 2013. This result is mainly attributed to the full scale operations of low-margin projects, in addition to new projects being in their initial stages of operations, when internal costs borne by the Business Unit cannot be offset.
- The deconsolidation of joint ventures at June 30, 2014, has a negative impact of €25 million on revenues and of €2 million on operating profit, deriving mainly from operations in Turkey (negative impact of €128 million on revenues and €1 million on operating profit in the first half of 2013).

- The main contracts acquired in the second quarter of 2014 include:
  - for Saudi Aramco, three EPC contracts in Saudi Arabia. The first two contracts relate to the Jazan Integrated Gasification Combined Cycle project and comprise engineering, procurement, construction, pre-commissioning, and assistance to commissioning and performance tests of the relevant facilities. The third contract encompasses detailed design, engineering, procurement, installation, commissioning and start-up assistance for two pipelines;
  - for Saudi Aramco, an EPC contract, comprising detailed design, engineering, procurement, installation, commissioning and start-up assistance for Loops 4 & 5 of the Shedgum-Yanbu' Gas Pipeline;
  - for the Shah Deniz consortium, a contract for the construction of a pipeline loop and associated above ground installations in Azerbaijan, as well as the construction of a second pipeline loop and associated above ground installations in Georgia;
  - for Versalis, a contract in Italy for the construction of a fourth production line to operate alongside the three existing lines, in addition to increasing their production capacity and upgrading the plant's auxiliary systems.

Drilling: Offshore

(million euro)

Q2 2013	Q1 2014	Q2 2014	Q2 2014 vs Q2 2013 (%)		1H 2013	1H 2014	1H 2014 vs 1H 2013 (%)
304	284	272	(10.5)	Revenues	608	556	(8.6)
(143)	(142)	(136)	(4.9)	Expenses	(285)	(278)	(2.5)
(65)	(63)	(60)	(7.7)	Depreciation and amortization	(131)	(123)	(6.1)
96	79	76	(20.8)	Operating profit	192	155	(19.3)
53.0	50.0	50.0		EBITDA %	53.1	50.0	
31.6	27.8	27.9		EBIT %	31.6	27.9	
8	81	61		New contracts	913	142	

The backlog at June 30, 2014 stood at €2,976 million, of which €571 million is due to be realised in 2014.

- Revenues for the first half of 2014 amounted to €556 million, representing an 8.6% decrease compared to the first half of 2013, mainly attributable to the reduced operations of the semi-submersible rigs Scarabeo 7 and Scarabeo 9, which underwent upgrading works in the first half of 2014.
- Operating profit for the first half of 2014 amounted to €155 million, compared to €192 million in the first half of 2013, with the margin on revenues decreasing from 31.6% to 27.9%. The EBITDA margin stood at 50%, a 3% decrease on the 53.1% achieved in the first half of 2013.
- Vessel utilisation in the first half of 2014 and the maintenance schedule for 2014 are as follows:

Vessel	***1H 2014*** Under contract (days)	***1H 2014*** Idle (days)	***Year 2014*** Idle (days)
Semi-submersible rig Scarabeo 3	180	1 (b)	17 (a+b)
Semi-submersible rig Scarabeo 4	181	–	–
Semi-submersible rig Scarabeo 5	172	9 (b)	9 (b)
Semi-submersible rig Scarabeo 6	181	–	–
Semi-submersible rig Scarabeo 7	–	181 (a)	182 (a)
Semi-submersible rig Scarabeo 8	175	6 (b)	6 (b)
Semi-submersible rig Scarabeo 9	162	19 (a+b)	19 (a+b)
Drillship Saipem 10000	181	–	–
Drillship Saipem 12000	181	–	–
Jack-up Perro Negro 2	175	6 (b)	6 (b)
Jack-up Perro Negro 3	181	–	–
Jack-up Perro Negro 4	181	–	–
Jack-up Perro Negro 5	181	–	–
Jack-up Perro Negro 7	179	2 (b)	94 (a+b)
Jack-up Perro Negro 8	181	–	5 (a)
Tender Assisted Drilling Barge	178	3 (b)	13 (a+b)
Ocean Spur	181	–	–

(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.

Drilling: Onshore

(million euro)

Q2 2013	Q1 2014	Q2 2014	Q2 2014 vs Q2 2013 (%)		1H 2013	1H 2014	1H 2014 vs 1H 2013 (%)
173	167	169	(2.3)	Revenues	354	336	(5.1)
(122)	(113)	(111)	(9.0)	Expenses	(242)	(224)	(7.4)
(36)	(37)	(36)	–	Depreciation and amortization	(71)	(73)	2.8
15	17	22	46.7	Operating profit	41	39	(4.9)
29.5	32.3	34.3		EBITDA %	31.6	33.3	
8.7	10.2	13.0		EBIT %	11.6	11.6	
60	135	289		New contracts	118	424	

The backlog at June 30, 2014 stood at €1,313 million (including the effects of the cancellation of a contract for Shell in Ukraine, which amounted to €16 million), of which €214 million is due to be realised in 2014.

- Revenues for the first half of 2014 amounted to €336 million, representing a 5.1% decrease compared to the first half of 2013, mainly due to lower levels of activity in Algeria.
- Operating profit for the first half of 2014 amounted to €39 million, compared to €41 million recorded in the first half of 2013, with the margin on revenues which is unchanged. The EBITDA margin stood at 33.3%, compared to 31.6% in the first half of 2013, owing mainly to an improvement in operational efficiency.
- The deconsolidation of joint ventures at June 30, 2014 has a negative impact of €13 million on revenues and of €1 million on operating profit, deriving mainly from operations in Kazakhstan (negative impact of €13 million on revenues and €1 million on operating profit in the first half of 2013).

  The rigs deployed by the joint-venture company SaiPar are not included in the list of rigs in operation.

Average utilization of assets in the first half of 2014 stood at 95.8% (96.2% in the first half of 2013). At June 30, 2014, the Company owned 97 rigs located as follows: 28 in Venezuela, 22 in Saudi Arabia, 18 in Peru, 7 in Colombia, 4 in Kazakhstan, 4 in Bolivia, 3 in Ecuador, 2 in Chile, 2 in Italy, 1 in Tunisia, 1 in Congo, 1 in Ukraine, 1 in Mauritania, 1 in Turkey, 1 in Turkmenistan and 1 in Morocco.
Additionally, 6 third-party rigs were deployed in Peru, 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 statement of cash flow.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

		December 31, 2013*		June 30, 2014
Net tangible fixed assets		7,912		7,910
Net intangible fixed assets		758		759
		8,670		8,669
- Engineering & Construction: Offshore	3,793		3,804	
- Engineering & Construction: Onshore	585		590	
- Drilling: Offshore	3,351		3,332	
- Drilling: Onshore	941		943	
Financial investments		158		169
Non-current assets		**8,828**		**8,838**
Net current assets		**895**		**1,308**
Employee termination indemnities		**(219)**		**(221)**
CAPITAL EMPLOYED		**9,504**		**9,925**
Shareholders' equity		**4,652**		**4,773**
Minority interest in net equity		**92**		**48**
Net debt		**4,760**		**5,104**
COVER		**9,504**		**9,925**
Leverage (net debt/shareholders' equity)		**1.00**		**1.06**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

* Data were restated following the coming into force of new accounting principles.

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(million euro)

Q2 2013*	Q1 2014	Q2 2014		1H 2013*	1H 2014
2,253	2,891	3,075	Operating revenues	5,246	5,966
1	2	2	Other revenues and income	3	4
(1,934)	(2,021)	(2,097)	Purchases, services and other costs	(4,024)	(4,118)
(572)	(569)	(628)	Payroll and related costs	(1,099)	(1,197)
(252)	**303**	**352**	**GROSS OPERATING PROFIT**	**126**	**655**
(176)	(176)	(186)	Amortization, depreciation and write-downs	(351)	(362)
(428)	**127**	**166**	**OPERATING PROFIT**	**(225)**	**293**
(54)	(49)	(61)	Financial expenses	(91)	(110)
8	12	5	Income from investments	9	17
(474)	**90**	**110**	**INCOME BEFORE INCOME TAXES**	**(307)**	**200**
37	(29)	(35)	Income taxes	(15)	(64)
(437)	**61**	**75**	**INCOME BEFORE MINORITY INTEREST**	**(322)**	**136**
(3)	–	–	Minority interest	(8)	–
(440)	**61**	**75**	**NET PROFIT**	**(330)**	**136**
(264)	**237**	**261**	**CASH FLOW (Net profit + Depreciation and amortization)**	**21**	**498**

* In addition to the deconsolidation of joint-ventures following the introduction of the new accounting principles, this amount includes €245 million of revenues and profits relating to the restatement in compliance with the application of IAS 8.42.

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

Q2 2013*	Q1 2014	Q2 2014		1H 2013*	1H 2014
2,253	2,891	3,075	Operating revenues	5,246	5,966
(2,556)	(2,645)	(2,790)	Production costs	(5,220)	(5,435)
(40)	(32)	(29)	Idle costs	(81)	(61)
(34)	(34)	(36)	Selling expenses	(67)	(70)
(4)	(2)	(3)	Research and development costs	(7)	(5)
(3)	(4)	(4)	Other operating income (expenses), net	(8)	(8)
(384)	**174**	**213**	**CONTRIBUTION FROM OPERATIONS**	**(137)**	**387**
(44)	(47)	(47)	General and administrative expenses	(88)	(94)
(428)	**127**	**166**	**OPERATING PROFIT**	**(225)**	**293**
(54)	(49)	(61)	Financial expenses	(91)	(110)
8	12	5	Income from investments	9	17
(474)	**90**	**110**	**INCOME BEFORE INCOME TAXES**	**(307)**	**200**
37	(29)	(35)	Income taxes	(15)	(64)
(437)	**61**	**75**	**INCOME BEFORE MINORITY INTEREST**	**(322)**	**136**
(3)	–	–	Minority interest	(8)	–
(440)	**61**	**75**	**NET PROFIT**	**(330)**	**136**
(264)	**237**	**261**	**CASH FLOW (Net Profit + Depreciation and amortization)**	**21**	**498**

* In addition to the deconsolidation of joint-ventures following the introduction of the new accounting principles, this amount includes €245 million of revenues and profits relating to the restatement in compliance with the application of IAS 8.42.

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

Q2 2013*	Q1 2014	Q2 2014		1H 2013*	1H 2014
(440)	61	75	Net profit	(330)	136
3	–	–	Minority interest	8	–
			Adjustments to reconcile cash generated from operating income before changes in working capital:		
273	169	152	Depreciation, amortization and other non-monetary items	419	321
834	(834)	427	Variation in working capital relating to operations	402	(407)
670	**(604)**	**654**	**Net cash flow from operations**	**499**	**50**
(158)	(204)	(127)	Investments in tangible and intangible fixed assets	(497)	(331)
42	7	–	Disposals	42	7
554	**(801)**	**527**	**Free cash flow**	**44**	**(274)**
–	–	–	Buy back of treasury shares/Exercise of stock options	–	–
(299)	(44)	–	Cash flow from share capital and reserves	(337)	(44)
39	(5)	(21)	Effect of exchange rate differences on net debt and other changes	(3)	(26)
294	**(850)**	**506**	**Change in net debt**	**(296)**	**(344)**
4,949	**4,760**	**5,610**	**Net debt at beginning of period**	**4,359**	**4,760**
4,655	**5,610**	**5,104**	**Net debt at end of period**	**4,655**	**5,104**

* In addition to the deconsolidation of joint-ventures following the introduction of the new accounting principles, this amount includes €245 million of profits offset by the variation in working capital, relating to the restatement in compliance with the application of IAS 8.42.

Effects of the application of IFRS 11 and IAS 8.42: Financial Statements

The following tables illustrate the effects of restatements on the Balance Sheet at December 31, 2013 and the Income statement of the First Quarter, Second Quarter and the First Half of 2013, following the implementation of the new IFRS 11 accounting standard and the application of IAS 8.42.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

	December 31, 2013	Impact of restatement	December 31, 2013 restated
Net tangible fixed assets	7,972	(60)	7,912
Net intangible fixed assets	758	–	758
Financial investments	126	32	158
Non-current assets	**8,856**	**(28)**	**8,828**
Net current assets	**828**	**67**	**895**
Employee termination indemnities	**(233)**	**14**	**(219)**
CAPITAL EMPLOYED	**9,451**	**53**	**9,504**
Shareholders' equity	**4,652**	–	**4,652**
Minority interest in net equity	**92**	–	**92**
Net debt	**4,707**	**53**	**4,760**
COVER	**9,451**	**53**	**9,504**
Leverage (net debt/shareholders' equity)	**0.99**		**1.00**
SHARES ISSUED AND OUTSTANDING	**441,410,900**		**441,410,900**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(million euro)

	Q1 2013	Impact of restatement	Q1 2013 restated
Operating revenues	3,089	(96)	2,993
Other revenues and income	2		2
Purchases, services and other costs	(2,173)	83	(2,090)
Payroll and related costs	(538)	11	(527)
GROSS OPERATING PROFIT	**380**	**(2)**	**378**
Amortization, depreciation and write-downs	(178)	3	(175)
OPERATING PROFIT	**202**	**1**	**203**
Financial expenses	(38)	1	(37)
Income from investments	3	(2)	1
INCOME BEFORE INCOME TAXES	**167**	**–**	**167**
Income taxes	(52)	–	(52)
INCOME BEFORE MINORITY INTEREST	**115**	–	**115**
Minority interest	(5)	–	(5)
NET PROFIT	**110**	–	**110**
CASH FLOW (Net profit + Depreciation and amortization)	**288**	**(3)**	**285**

(million euro)

	Q2 2013	Impact of restatement*	Q2 2013 restated
Operating revenues	2,097	156	2,253
Other revenues and income	1	–	1
Purchases, services and other costs	(2,002)	68	(1,934)
Payroll and related costs	(585)	13	(572)
GROSS OPERATING PROFIT	**(489)**	**237**	**(252)**
Amortization, depreciation and write-downs	(181)	5	(176)
OPERATING PROFIT	**(670)**	**242**	**(428)**
Financial expenses	(54)	–	(54)
Income from investments	5	3	8
INCOME BEFORE INCOME TAXES	**(719)**	**245**	**(474)**
Income taxes	37	–	37
INCOME BEFORE MINORITY INTEREST	**(682)**	**245**	**(437)**
Minority interest	(3)	–	(3)
NET PROFIT	**(685)**	**245**	**(440)**
CASH FLOW (Net profit + Depreciation and amortization)	**(504)**	**240**	**(264)**

(million euro)

	1H 2013	Impact of restatement*	1H 2013 restated
Operating revenues	5,186	60	5,246
Other revenues and income	3	–	3
Purchases, services and other costs	(4,175)	151	(4,024)
Payroll and related costs	(1,123)	24	(1,099)
GROSS OPERATING PROFIT	**(109)**	**235**	**126**
Amortization, depreciation and write-downs	(359)	8	(351)
OPERATING PROFIT	**(468)**	**243**	**(225)**
Financial expenses	(92)	1	(91)
Income from investments	8	1	9
INCOME BEFORE INCOME TAXES	**(552)**	**245**	**(307)**
Income taxes	(15)	–	(15)
INCOME BEFORE MINORITY INTEREST	**(567)**	**245**	**(322)**
Minority interest	(8)	–	(8)
NET PROFIT	**(575)**	**245**	**(330)**
CASH FLOW (Net profit + Depreciation and amortization)	**(216)**	**237**	**21**

* In addition to the deconsolidation of joint-ventures following the introduction of the new accounting principles, this amount includes €245 million of revenues and profits relating to the restatement in compliance with the application of IAS 8.42.

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

	Q1 2013	Impact of restatement	Q1 2013 restated
Operating revenues	3,089	(96)	2,993
Production costs	(2,760)	96	(2,664)
Idle costs	(41)	–	(41)
Selling expenses	(33)	–	(33)
Research and development costs	(3)	–	(3)
Other operating income (expenses), net	(5)	–	(5)
CONTRIBUTION FROM OPERATIONS	**247**	**–**	**247**
General and administrative expenses	(45)	1	(44)
OPERATING PROFIT	**202**	**1**	**203**
Financial expenses	(38)	1	(37)
Income from investments	3	(2)	1
INCOME BEFORE INCOME TAXES	**167**	–	**167**
Income taxes	(52)	–	(52)
INCOME BEFORE MINORITY INTEREST	**115**	–	**115**
Minority interest	(5)	–	(5)
NET PROFIT	**110**	–	**110**
CASH FLOW (Net Profit + Depreciation and amortization)	**288**	**(3)**	**285**

(million euro)

	Q2 2013	Impact of restatement*	Q2 2013 restated
Operating revenues	2,097	156	2,253
Production costs	(2,640)	84	(2,556)
Idle costs	(40)	–	(40)
Selling expenses	(35)	1	(34)
Research and development costs	(4)	–	(4)
Other operating income (expenses), net	(3)	–	(3)
CONTRIBUTION FROM OPERATIONS	**(625)**	**241**	**(384)**
General and administrative expenses	(45)	1	(44)
OPERATING PROFIT	**(670)**	**242**	**(428)**
Financial expenses	(54)	–	(54)
Income from investments	5	3	8
INCOME BEFORE INCOME TAXES	**(719)**	**245**	**(474)**
Income taxes	37	–	37
INCOME BEFORE MINORITY INTEREST	**(682)**	**245**	**(437)**
Minority interest	(3)	–	(3)
NET PROFIT	**(685)**	**245**	**(440)**
CASH FLOW (Net Profit + Depreciation and amortization)	**(504)**	**240**	**(264)**

* In addition to the deconsolidation of joint-ventures following the introduction of the new accounting principles, this amount includes €245 million of revenues and profits relating to the restatement in compliance with the application of IAS 8.42.

(million euro)

	1H 2013	Impact of restatement*	1H 2013 restated
Operating revenues	5,186	60	5,246
Production costs	(5,400)	180	(5,220)
Idle costs	(81)	–	(81)
Selling expenses	(68)	1	(67)
Research and development costs	(7)	–	(7)
Other operating income (expenses), net	(8)	–	(8)
CONTRIBUTION FROM OPERATIONS	**(378)**	**241**	**(137)**
General and administrative expenses	(90)	2	(88)
OPERATING PROFIT	**(468)**	**243**	**(225)**
Financial expenses	(92)	1	(91)
Income from investments	8	1	9
INCOME BEFORE INCOME TAXES	**(552)**	**245**	**(307)**
Income taxes	(15)	–	(15)
INCOME BEFORE MINORITY INTEREST	**(567)**	**245**	**(322)**
Minority interest	(8)	–	(8)
NET PROFIT	**(575)**	**245**	**(330)**
CASH FLOW (Net Profit + Depreciation and amortization)	**(216)**	**237**	**21**

* In addition to the deconsolidation of joint-ventures following the introduction of the new accounting principles, this amount includes €245 million of revenues and profits relating to the restatement in compliance with the application of IAS 8.42.

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

	Q1 2013	Impact of restatement	Q1 2013 restated
Group net profit	110	–	110
Minority interest	5	–	5
Adjustments to reconcile cash generated from operating income before changes in working capital:			
Depreciation, amortization and other non-monetary items	162	(16)	146
Variation in working capital relating to operations	(425)	(7)	(432)
Net cash flow from operations	**(148)**	**(23)**	**(171)**
Investments in tangible and intangible fixed assets	(340)	1	(339)
Disposals	–	–	–
Free cash flow	**(488)**	**(22)**	**(510)**
Buy-back of treasury shares / stock option exercise	–	–	–
Cash flow from share capital and reserves	(38)	–	(38)
Exchange rate differentials and other variation concerning net financial debt	(41)	(1)	(42)
Variation in net debt	**(567)**	**(23)**	**(590)**
Net debt at beginning of period	**4,278**	**81**	**4,359**
Net debt at end of period	**4,845**	**104**	**4,949**

(million euro)

	Q2 2013	Impact of restatement*	Q2 2013 restated
Group net profit	(685)	245	(440)
Minority interest	3	–	3
Adjustments to reconcile cash generated from operating income before changes in working capital:			
Depreciation, amortization and other non-monetary items	285	(12)	273
Variation in working capital relating to operations	1,044	(210)	834
Net cash flow from operations	**647**	**23**	**670**
Investments in tangible and intangible fixed assets	(152)	(6)	(158)
Disposals	42	–	42
Free cash flow	**537**	**17**	**554**
Buy-back of treasury shares / stock option exercise	–	–	–
Cash flow from share capital and reserves	(299)	–	(299)
Exchange rate differentials and other variation concerning net financial debt	37	2	39
Variation in net debt	**275**	**19**	**294**
Net debt at beginning of period	**4,845**	**104**	**4,949**
Net debt at end of period	**4,570**	**85**	**4,655**

* In addition to the deconsolidation of joint-ventures following the introduction of the new accounting principles, this amount includes €245 million of revenues and profits relating to the restatement in compliance with the application of IAS 8.42.

(million euro)

	1H 2013	Impact of restatement*	1H 2013 restated
Group net profit	(575)	245	(330)
Minority interest	8	–	8
Adjustments to reconcile cash generated from operating income before changes in working capital:			
Depreciation, amortization and other non-monetary items	447	(28)	419
Variation in working capital relating to operations	619	(217)	402
Net cash flow from operations	**499**	–	**499**
Investments in tangible and intangible fixed assets	(492)	(5)	(497)
Disposals	42	–	42
Free cash flow	**49**	**(5)**	**44**
Buy-back of treasury shares / stock option exercise	-	–	-
Cash flow from share capital and reserves	(337)	–	(337)
Exchange rate differentials and other variation concerning net financial debt	(4)	1	(3)
Variation in net debt	**(292)**	**(4)**	**(296)**
Net debt at beginning of period	**4,278**	**81**	**4,359**
Net debt at end of period	**4,570**	**85**	**4,655**

* In addition to the deconsolidation of joint-ventures following the introduction of the new accounting principles, this amount includes €245 million of revenues and profits relating to the restatement in compliance with the application of IAS 8.42.