Saipem: results for the third quarter and the first nine months of 2018

San Donato Milanese, October 24, 2018 - The Board of Directors of Saipem S.p.A., chaired by Francesco Caio, yesterday approved the Saipem Group's Interim Report at September 30, 2018 (not subject to audit).

Highlights

- Strong operational performance particularly in the Offshore E&C segment
- Stable backlog, level of awards in the third quarter in line with expectations
- Stable net debt despite the investment in the new vessel
- Guidance confirmed
- Reported results include special items mostly disclosed previously in the half-yearly report

Results for the first nine months of 2018:

- Revenues: €6,098 million (€6,873 million in the first nine months of 2017), of which €2,259 million in the third quarter
- Adjusted EBITDA: €760 million (€795 million in the first nine months of 2017), of which €277 million in the third quarter
- EBITDA: €642 million (€737 million in the first nine months of 2017), of which €232 million in the third quarter
- Adjusted operating profit (EBIT): €417 million (€400 million in the first nine months of 2017), of which €162 million in the third quarter
- Operating profit (EBIT): €43 million (€257 million in the first nine months of 2017), of which €117 million in the third quarter
- Adjusted net profit: €17 million (€151 million in the first nine months of 2017), of which 11 million in the third quarter
- Net loss of €357 million, net of write-downs and reorganization expenses of €374 million (loss of €57 million in the first nine months of 2017, net of write-downs, reorganization expenses and fiscal settlement of €208 million), loss of €34 million in the third quarter net of write-downs and reorganization expenses of €45 million
- Capital expenditure: €365 million (€198 million in the first nine months of 2017), of which €52 million in the third quarter
- Net debt at September 30, 2018: €1,270 million (€1,296 million at December 31, 2017)
- New contracts: €6,121 million (€4,717 million in the first nine months of 2017), of which €2,135 million in the third quarter
- Backlog: €12,456 million (€12,392 million at December 31, 2017)

Guidance confirmed

- Revenues: approximately €8 billion
- Adjusted EBITDA: greater than 10% on revenues[1]
- Capital expenditure: approximately €0.5 billion
- Net debt: approximately €1.3 billion

Stefano Cao, Saipem CEO, commented:

"The market offers signs of a turnaround compared to recent years, supported by good visibility in commercial opportunities, especially in the Engineering & Construction sectors. In what is still a complex context, the first nine months of 2018 Saipem revealed a good operational and managerial performance, in particular in Offshore Engineering & Construction and Drilling. This allows the Company to confirm the guidance for 2018. The third quarter recorded a solid performance in relation to the awarding of new contracts, in line with the expectations outlined in the half-yearly report, a tendency which seems to be confirmed also in the fourth quarter. The diversification in new markets and the search for opportunities in new geographical areas will likewise contribute to the creation of value for our stakeholders".

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[1] *Inclusive of the negative results posted to the item "Income (loss) from investments" relating to a contract under execution by a jointly-controlled company*

Financial highlights

(million euro)

Q3 2017	Q2 2018	Q3 2018	Q3 2018 vs Q3 2017 (%)		First nine months 2017	First nine months 2018	Sept 2018 vs Sept. 2017 (%)
2,283	1,883	2,259	(1.1)	Revenues	6,873	6,057	(11.9)
271	269	277	2.2	Adjusted EBITDA	795	760	(4.4)
140	155	162	15.7	Adjusted operating profit (loss)	400	417	4.3
133	(161)	117	(12.0)	Operating profit (loss)	257	43	ns
59	(5)	11	(81.4)	Adjusted net profit (loss)	151	17	(88.7)
53	(321)	(34)	ns	Net profit (loss)	(57)	(357)	ns
190	109	126	(33.7)	Adjusted Cash flow (adjusted net result + depreciation and amortization)	546	360	(34.1)
182	(135)	52	(71.4)	Free Cash flow	96	27	(71.9)
1,355	1,325	1,270	(6.3)	Net financial position	1,355	1,270	(6.3)
51	281	52	2	Capital expenditure	198	365	84.3
2,629	2,963	2,135	(18.8)	New contracts	4,717	6,121	29.8

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.

Update for the new organisational structure

Changes to the organisational structure are continuing, aimed at completing the divisionalisation process started in 2017, which will entail full autonomy of the individual Divisions, particularly in the areas of: commercial, project execution, technology and Research & Development, business strategies, partnerships, etc.
This process, in line with the Company’s new strategic direction and the changes to the organisational structure approved by the Board of Directors in July 2018, will be completed by the end of 2018.

Business update for the first nine months of 2018

Adjusted revenues in the first nine months of 2018 amounted to €6,098 million, down by 11.3% from the first nine months of 2017, due to a contraction in the Offshore and Onshore E&C sectors, as well as in the Offshore Drilling sector.

Adjusted EBITDA in the first nine months of 2018 amounted to €760 million (€795 million in the first nine months of 2017): this reduction is attributable mainly to fewer contracts for the fleet in the Offshore Drilling sector.

Adjusted net profit in the first nine months of 2018 amounted to €17 million, down from €151 million in the first nine months of 2017; against a stable adjusted operating result, the improvement in financial expenses, due to lower exchange rate differences, was more than absorbed by a significant loss from an equity accounted affiliate, deriving from the worsening of a contract under execution by a jointly-controlled company, as well as by a higher tax rate and third-party results.

Net result in the first nine months of 2018, amounting to a loss of €357 million, unlike adjusted net profit, was reduced by the following special items:

- write-downs of tangible and intangible assets of €256 million deriving from impairment tests carried out in the first half of the year;
- write downs and accruals, totalling €89 million, relating to some litigations pending for a long time on projects already completed, resulting from the periodic activity of legal monitoring of the overall litigations; this item also includes a provision of €38 million made by the Company as it awaits to discover the reasons underpinning the ruling issued by the Court of Milan (Criminal Court Section IV) on September 19, 2018 concerning offences allegedly committed in Algeria up until March 2010 relating to certain contracts completed quite a few years ago.

  The provision at September 30, 2018, while waiting to discover the reasons underpinning the ruling, is to cover the following:

  i) the pecuniary sanction of €0.4 million, set by the Court of Milan against Saipem as allegedly responsible for the administrative offense referred to in Articles. 5, 6, 7 and 25 paragraphs 3 and 4 pursuant to Legislative Decree 231/2001 with reference to the offence of international corruption; and
  ii) the sum of €38 million equal to the difference between the amount of the confiscation ordered by the Court of Milan (of approximately €197 million) and the amount of the preventive seizure aimed at confiscation (equal to approximately €160 million) ordered by the preliminary hearing judge of the Court of Milan some time ago against several persons - other than the Company - all condemned by the sentence of September 19, 2018.

  The ruling by the Court of Milan is not enforceable. Saipem reserves the right to appeal the Court's decision on the basis of the reasons underpinning same, which will be filed within 90 days beginning from September 19, 2018. Detailed information on the Algeria proceedings is provided in the Company's Interim Consolidated Report at June 30, 2018, available on Saipem's website.
- reorganisation expenses of €29 million.

In the first nine months of 2017, **net result** amounting to a loss of €57 million, unlike adjusted net profit, was reduced by the following special items:

- the write-down of assets amounting to €97 million;
- impact of tax dispute settlements of €79 million;
- reorganization expenses of €32 million (net of the tax effect).

Capital expenditure in the first nine months of 2018, inclusive of the purchase of the vessel Saipem Constellation (approximately €220 million), amounted to €365 million (€198 million in the first nine months of 2017), broken down as follows:

- €280 million in Offshore Engineering & Construction;
- €14 million in Onshore Engineering & Construction;
- €44 million in Offshore Drilling;
- €27 million in Onshore Drilling.

Net debt at September 30, 2018 amounted to €1,270 million, a slight reduction on December 31, 2017 (€1,296 million). In the first nine months, the cash generated and control over working capital and expenditure enabled Saipem to absorb the outlay for the purchase of the vessel Saipem Constellation vessel and the payment of the debt owed to Sonatrach relating to the LPG settlement.

Backlog

In the first nine months of 2018, Saipem was awarded new contracts amounting to €6,121 million (€4,717 million in the first nine months of 2017). The backlog at September 30, 2018 amounted to €12,456 million (€4,446 million in Offshore Engineering & Construction, €6,752 million in Onshore Engineering & Construction, €699 million in Offshore Drilling and €559 in Onshore Drilling), of which €2,089 million is to be realized in 2018.

EBIT adjusted – EBIT reported reconciliation

(million euro)

	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Total	
Adjusted EBIT	**272**	**51**	**82**	**12**	**417**	
Impairment		60	196		256	
Write-downs/accruals		89			89	(a)
Reorganization expenses	10	14	3	2	29	(a)
Total special items	(10)	(163)	(199)	(2)	(374)	
Reported EBIT	**262**	**(112)**	**(117)**	**10**	**43**	

a) Special items affecting EBITDA amount to €118 million, i.e. the reconciliation of adjusted EBITDA of €760 million versus reported EBITDA of €642 million.

Management outlook for 2018

The market context in which the Company operates seems to confirm some signs of a gradual trend reversal compared to the last few years, supported also by good visibility of commercial opportunities, in particular in certain Engineering & Construction segments.

The award of new contracts in the third quarter and in the first part of the fourth does not exhaust commercial opportunities in the short term.

Strong operating performance, particularly in the Offshore Engineering & Construction and Drilling sectors, enable management to confirm the 2018 guidance in terms of adjusted results (before special items).

Equally, the measures implemented to optimize investments, the trend in working capital in line with expectations and the level of operational activity further strengthen expectations to achieve the net debt guidance at year end.

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This press release should be read in conjunction with the condensed interim consolidated financial statements at June 30, 2018 and the statutory and consolidated financial statements at December 31, 2017 of Saipem S.p.A., which are already 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 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 level 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 8.00 am CEST (7.00 am GMT, 2.00 am EDT, 11 pm PDT). The conference call can be followed on Saipem's website (www.saipem.com) by clicking on the "WEBCAST 2017 RESULTS AND STRATEGY UPDATE" on the home page, or through the following URL: https://edge.media-server.com/m6/p/577jeece.

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 (www.saipem.com) around 30 minutes before the scheduled start time. This presentation will also be available for download from the authorized storage device "eMarketSTORAGE" (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 deep-water. 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 – Adjusted results:

Offshore Engineering & Construction

(million euro)

Q3 2017	Q2 2018	Q3 2018	Q3 2018 vs Q3 2017 (%)		First nine months 2017	First nine months 2018	Sept 18 vs Sept 17 (%)
1,026	947	1,062	3.5	Revenues	3,046	2,812	(7.7)
(903)	(791)	(899)	(0.4)	Expenses	(2,647)	(2,390)	(9.7)
123	156	163	32.5	Adjusted EBITDA	399	422	5.8
(57)	(51)	(51)	(10.5)	Depreciation	(145)	(150)	3.4
66	105	112	69.7	Adjusted operating profit (loss)	254	272	7.1
12.0	16.5	15.3		Adjusted EBITDA %	13.1	15.0	
6.4	11.1	10.5		Adjusted EBIT %	8.3	9.7	
1,385	1,374	1,041		New contracts	2,730	2,614	

Backlog at September 30, 2018: €4,446 million, of which €981 million to be realized in 2018.

- Revenues for the first nine months of 2018 amounted to €2,812 million, down by 7.7% compared to the first nine months of 2017, due mainly to lower volumes recorded in the Caspian and Central South America, which were partly offset by higher volumes registered in the Middle East.

- Adjusted EBITDA for the first nine months of 2018 amounted to €422 million, equal to 15% of revenues, compared to €399 million, equal to 13.1% of revenues for the first nine months of 2017. This percentage increase was due to strong operational efficiency.

- The most significant contracts awarded in the third quarter of 2018 concern:
  - a contract in Guyana, assigned by Esso Exploration and Production Guyana Limited for the second phase of the Liza development, which is in addition to those awarded to Saipem in 2017 for Liza Phase 1. The scope of work encompasses engineering, procurement, construction, and installation of the risers, flowlines, and associated structures and jumpers. Saipem will also transport and install umbilicals, manifolds, and associated foundations for the production, and water and gas injection systems;
  - a contract in the Southern North Sea, on behalf of Tolmount Development Partners (Premier Oil and Dana Petroleum), for engineering, procurement, construction and installation (EPCI) works of pipelines and associated facilities in relation to the development of the Tolmount Main gas field,
  - a contract in the Republic of Congo for an MMO (Maintenance, Modifications & Operations) project in relation to the “Centrale Electrique du Congo”, which covers over half of the country’s electricity supply.

Engineering & Construction Onshore

(million euro)

Q3 2017	Q2 2018	Q3 2018	Q3 2018 vs Q3 2017 (%)		First nine months 2017	First nine months 2018	Sept 18 vs Sept 17 (%)
985	744	958	(2.7)	Adjusted revenues	2.985	2.580	(13.6)
(948)	(719)	(928)	(2.1)	Expenses	(2.911)	(2.499)	(14.2)
37	25	30	(18.9)	Adjusted EBITDA	74	81	9.5
(12)	(9)	(11)	(8.3)	Depreciation	(60)	(30)	(50.0)
25	16	19	(24.0)	Adjusted operating profit (loss)	14	51	ns
3.8	3.4	3.1		Adjusted EBITDA %	2.5	3.1	
2.5	2.2	2.0		Adjusted EBIT %	0.5	2.0	
1,225	1,520	1,047		New contracts	1,669	3,345	

Backlog at September 30, 2018: €6,752 million, of which €883 million to be realized in 2018.

- Adjusted revenues for the first nine months of 2018 amounted to €2,580 million, down by 13.6% compared to the first nine months of 2017, due mainly to lower volumes recorded in the Middle and Far East, partly offset by greater volumes recorded in Central and South America and the Caspian.

- Adjusted EBITDA for the first nine months of 2018 amounted to €81 million, equal to 3.1% of revenues, compared to €74 million, equal to 2.5% of revenues in the first nine months of 2017, penalised by the deterioration of a project recorded in the Floater Business line. Adjusted EBITDA does not include the worsening of a contract under execution by a jointly-controlled company, which is posted under the item “Income (loss) from investments” and represents almost the entire item.

- The most significant contracts awarded in the third quarter of 2018 concern:
  - a contract in Saudi Arabia on behalf of the national oil company Saudi Arabian Oil Company for procurement and construction in relation to the “South Gas Compression Plant Pipelines” project for the development of the Haradh gas plant (HdGP), located in the east of the country;
  - a contract in Iraq, on behalf of Exxon Mobil Iraq Limited relating to the DS6 project for the debottlenecking of the West Qurna field. Debottlenecking is a process that optimises a plant in order to increase its overall capacity;
  - a contract in Mexico on behalf of Petròleos Mexicanos (Pemex) for works in the "Miguel Hidalgo" refinery located in Tula de Hallende. These works involve the restart of a hydrodesulphurizer of residues needed to reduce the levels of sulphur in products deriving from the refining of oil;
  - a contract in Nigeria on behalf of Nigeria LNG Limited for the FEED (Front End Engineering Design) and the preparation of the EPC proposal for the NLNG T7 in Nigeria, related to the expansion of the existing LNG plant situated in Finima on Bonny Island;
  - a contract for engineering services and the acquisition of permits for construction work in relation to the laying of pipes for the transportation of the gas to Serbia.

Offshore Drilling

(million euro)

Q3 2017	Q2 2018	Q3 2018	Q3 2018 vs Q3 2017 (%)		First nine months 2017	First nine months 2018	Sept 18 vs Sept 17 (%)
153	105	115	(24.8)	Revenues	476	336	(29.4)
(70)	(51)	(64)	(8.6)	Expenses	(236)	(178)	(24.6)
83	54	51	(38.6)	Adjusted EBITDA	240	158	(34.2)
(30)	(25)	(23)	(23.3)	Depreciation	(91)	(76)	(16.5)
53	29	28	(47.2)	Adjusted operating profit (loss)	149	82	(45.0)
54.2	51.4	44.3		Adjusted EBITDA %	50.4	47.0	
34.6	27.6	24.3		Adjusted EBIT %	31.3	24.4	
2	34	29		New contracts	255	88	

Backlog at September 30, 2018: €699 million, of which €112 million to be realized in 2018.

- Revenues for the first nine months of 2018 amounted to €336 million, a 29.4% decrease compared to the first nine months of 2017, mainly attributable to the semi-submersible rigs Scarabeo 5 and Scarabeo 8 having been idle for nine and five months respectively in 2018. This decrease was partly offset by greater revenues generated by the full scale operations of the semi-submersible rig Scarabeo 9, which had been undergoing class reinstatement works in the first quarter of 2017.

- Adjusted EBITDA for the first nine months of 2018 amounted to €158 million, compared to €240 million in the first nine months of 2017, with a margin on revenues of 47%.

Vessel utilization in the first nine months of 2018 and the impact of programmed maintenance and idle days in 2018 are as follows:

Vessel	***First nine months 2018***			***Year 2018***
	Under contract	***Non-operating***		***Non-operating***
	(days)			***(days)***
Semi-submersible rig Scarabeo 5	-	273	(b)	365 (b)
Semi-submersible rig Scarabeo 7	273	-		-
Semi-submersible rig Scarabeo 8	130	143	(b)	143 (b)
Semi-submersible rig Scarabeo 9	273	-		-
Drillship Saipem 10000	273	-		-
Drillship Saipem 12000	128	145	(a+b)	211 (a+b)
Jack-up Perro Negro 2	-	273	(b)	365 (b)
Jack-up Perro Negro 4	273	-		-
Jack-up Perro Negro 5	273	-		–
Jack-up Perro Negro 7	169	104	(a)	104 (a)
Jack-up Perro Negro 8	273	-		-
Tender Assisted Drilling Barge	273	-		61 (b)

(a) = the vessel underwent/will undergo class reinstatement works and/or preparation works for a new contract.
(b) = the vessel was not/will not be under contract

Onshore Drilling:

(million euro)

Q3 2017	Q2 2018	Q3 2018	Q3 2018 vs Q3 2017 (%)		First nine months 2017	First nine months 2018	Sept 18 vs Sept 17 (%)
119	128	124	4.2	Revenues	366	370	1.1
(91)	(94)	(91)	-	Expenses	(284)	(271)	(4.6)
28	34	33	17.9	Adjusted EBITDA	82	99	20.7
(32)	(29)	(30)	(6.3)	Depreciation	(99)	(87)	(12.1)
(4)	5	3	ns	Adjusted operating profit (loss)	(17)	12	ns
23.5	26.6	26.6		Adjusted EBITDA %	22.4	26.8	
-3.4	3.9	2.4		Adjusted EBIT %	-4.6	3.2	
17	35	18		New contracts	63	74	

Backlog at September 30, 2018: €559 million, of which €113 million to be realized in 2018.

- Revenues for the first nine months of 2018 amounted to €370 million, largely in line with the first nine months of 2017.
- Adjusted EBITDA for the first nine months of 2018 amounted to €99 million, equal to 26.8% of revenues, an increase compared to €82 million, equal to 22.4% of revenues recorded in the first nine months of 2017, thanks to the cost optimisation measures implemented in South America and a recovery in efficiency achieved in the Middle East.

Average utilization of rigs was 65.5% (63.2% in the same period of 2017). As of September 30, 2018, the Company owned 84 rigs, located as follows: 28 in Saudi Arabia, 19 in Venezuela, 17 in Peru, 5 in Bolivia, 4 in Ecuador, 3 in Kazakhstan, 2 in Kuwait, 2 in Argentina, 1 in Colombia, 1 in Italy, 1 in Morocco and 1 in Rumania.
In addition, 2 third-party rigs were used in Peru and 1 third-party rig in the Congo.

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)

	January 1, 2018 restated	September 30, 2018
Net tangible assets	4,581	4,420
Intangible assets	753	693
	5,334	5,113
Investments	141	98
Non-current assets	**5,475**	**5,211**
Net current assets	**571 ***	**460**
Provision for employee benefits	**(199)**	**(210)**
CAPITAL EMPLOYED, NET	**5,847**	**5,461**
Shareholder's equity	**4,510 ***	**4,112**
Non-controlling interests	**41**	**79**
Net debt	**1,296**	**1,270**
FUNDING	**5,847**	**5,461**
Leverage (net borrowings/shareholders' equity including minority interest)	**0.28**	**0.30**
SHARES ISSUED AND OUTSTANDING	**1,010,977,439**	**1,010,977,439**

* data was restated following new accounting standards IFRS 9 and IFRS 15 having come into force

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(million euro)

Q3 2017	Q2 2018	Q3 2018		First nine months 2017	First nine months 2018
2,283	1,883	2,259	Net sales from operations	6,873	6,057
1	-	-	Other income and revenues	3	1
(1,642)	(1,300)	(1,662)	Purchases, services and other costs	(4,907)	(4,316)
-	2	1	Net reversals (impairments) of trade and other receivables	-	4
(378)	(376)	(366)	Payroll and related costs	(1,232)	(1,104)
264	**209**	**232**	**GROSS OPERATING PROFIT (LOSS)**	**737**	**642**
(131)	(370)	(115)	Depreciation, amortization and impairment	(480)	(599)
133	**(161)**	**117**	**OPERATING PROFIT (LOSS)**	**257**	**43**
(55)	(37)	(43)	Finance expense	(170)	(123)
-	(49)	(26)	Income (loss) from investments	2	(75)
78	(247)	48	**PROFIT (LOSS) BEFORE TAXES**	89	(155)
(25)	(55)	(63)	Income taxes	(135)	(158)
53	**(302)**	**(15)**	**PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS**	**(46)**	**(313)**
-	(19)	(19)	Net profit (loss) attributable to non-controlling interests	(11)	(44)
53	**(321)**	**(34)**	**NET PROFIT (LOSS)**	**(57)**	**(357)**
184	**49**	**81**	**CASH FLOW (net result + depreciation and amortization)**	**423**	**242**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

Q3 2017	Q2 2018	Q3 2018		First nine months 2017	First nine months 2018
2,283	1,883	2,259	Net sales from operations	6,873	6,057
(2,002)	(1,902)	(2,007)	Production costs	(6,192)	(5,584)
(58)	(44)	(50)	Idle costs	(157)	(156)
(35)	(37)	(31)	Selling expenses	(95)	(103)
(8)	(6)	(7)	Research and development expenses	(19)	(19)
1	(11)	(3)	Other operating income (expenses), net	(11)	(19)
181	**(117)**	**161**	**CONTRIBUTION FROM OPERATIONS**	**399**	**176**
(48)	(44)	(44)	General and administrative expenses	(142)	(133)
133	**(161)**	**117**	**OPERATING PROFIT (LOSS)**	**257**	**43**
(55)	(37)	(43)	Finance expense	(170)	(123)
-	(49)	(26)	Income (loss) from investments	2	(75)
78	(247)	48	**PROFIT (LOSS) BEFORE TAXES**	**89**	(155)
(25)	(55)	(63)	Income taxes	(135)	(158)
53	**(302)**	**(15)**	**PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS**	**(46)**	**(313)**
-	(19)	(19)	Net profit (loss) attributable to non-controlling interests	(11)	(44)
53	**(321)**	**(34)**	**NET PROFIT (LOSS)**	**(57)**	**(357)**
184	**49**	**81**	**CASH FLOW (net result + depreciation and amortization)**	**423**	242

RECLASSIFIED CASH FLOW STATEMENT

(million euro)

Q3 2017	Q2 2018	Q3 2018		First nine months 2017	First nine months 2018
53	(321)	(34)	Net profit (loss) for the period	(57)	(357)
-	19	19	Non-controlling interests	11	44
			Adjustments to reconcile cash generated from operating profit (loss) before changes in working capital:		
115	432	95	Depreciation, amortization and other non-monetary items	477	623
78	16	48	Changes in working capital related to operations	(122)	106
246	**146**	**128**	**Net cash flow from operations**	**309**	**416**
(51)	(281)	(52)	Capital expenditure	(198)	(365)
(14)	-	(24)	Investments and purchase of consolidated subsidiaries and businesses	(23)	(24)
1	-	-	Disposals	8	-
182	**(135)**	**52**	**Free cash flow**	**96**	**27**
(27)	-	-	Buy-back of treasury shares/Exercise of stock options	(27)	-
-	-	-	Share capital increase net of expenses	(2)	-
-	-	-	Cash flow from capital and reserves	-	(15)
(6)	10	3	Exchange differences on net borrowings and other changes	28	14
149	**(125)**	**55**	**Change in net borrowings**	**95**	**26**
1,504	**1,200**	**1,325**	**Net borrowings at beginning of period**	**1,450**	**1,296**
1,355	**1,325**	**1,270**	**Net borrowings at end of period**	**1,355**	**1,270**