saipem

Interim Report at March 31, 2014

Approved by the Board of Directors on April 24, 2014

SAIPEM: Board of Directors approves Interim Report as at March 31, 2014

San Donato Milanese, April 24, 2014. Today the Board of Directors of Saipem S.p.A. approved Saipem Group's Interim Report as at March 31, 2014 (not subject to audit).

First quarter 2014

- **Revenues: €2,891 million**
- **EBIT: €127 million**
- **Net profit: €61 million**

First quarter 2014 (Management View)[1]:

- **Revenues: €2,943 million**
- **EBIT: €132 million**
- **Net profit: €61 million**

- **Investments: €204 million (€340 million in the first quarter of 2013)**
- **Net debt: €5,563 million (€4,707 million as at December 31, 2013)**
- **New contracts: €3,949 million (€2,883 million in the first quarter of 2013)**
- **Backlog: €18,520 million as at March 31, 2014 (€17,514 million as at December 31, 2013)**
- **New contracts acquired since period end: excess of €3 billion**

- **2014 guidance maintained[2]**

Umberto Vergine, Saipem CEO, commented: *"In the first quarter Saipem made solid progress towards stabilising the business and delivering the recovery. We confirm 2014 guidance, despite the impact of the operational problem on the P55 project, thanks to our significant commercial success*

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[1]*The "management view" logic provides for the proportionate consolidation of the Joint Ventures. Following the introduction of the new IFRS10 and IFRS11 accounting principles, the rules for consolidating investments within the shareholdings of the Saipem Group have been redefined. In particular, the IFRS11 requires that investments in Joint Venture with effect from 1 January 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 "management view". These data, in order to allow an operational trend representation of Saipem's management consistent with the analysis methods used by the Saipem's Top Management, report on the results achieved considering the consolidated proportional quota of the Joint Ventures. Furthermore, the attached reconciliation tables between data according to the "management view", as defined above, and the actual results of the Interim Report for the first quarter of 2014 are provided.*

[2] *2014 Guidance has been prepared using the "management view" logic which provides for the proportionate consolidation of the Joint Ventures.*

from the beginning of the year to date with approximately €7 billion of profitable new contracts won. Headwinds during the quarter have resulted in an increase in net debt. We expect these to be overcome during the course of 2014 as the majority of our legacy projects come to an end and new projects positively contribute to our working capital. We confirm that this year will be a transitional one, but we are already seeing the beginnings of the positive momentum that will drive the return to profitable growth in the medium term".

The following lists out 2014 "management view" results.

Financial Highlights (management view)

(million euro)

	Q1 2013	Q4 2013	Q1 2014	Q1 2014 vs Q1 2013 (%)
Revenues	3,089	3,303	2,943	(4.7)
EBITDA	380	342	311	(18.2)
Operating profit	202	161	132	(34.7)
Net profit	110	70	61	(44.5)
Cash flow (Net profit + Depreciation and amortization)	288	251	240	(16.7)
Investments	340	224	204	(40.0)
New contracts	2,883	2,092	3,949	37.0

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 first quarter of 2014 amounted to €204 million (€340 million in the first quarter of 2013) and included:
- €91 million in the Offshore Engineering & Construction sector, relating mainly to the final stages of development of a new fabrication yard in Brazil and the maintenance and upgrading of the existing asset base;
- €15 million in the Onshore Engineering & Construction sector relating to the purchase of equipment and the maintenance of existing assets;
- €68 million in the Offshore Drilling sector, relating mainly to class reinstatement works for the semi-submersible rig Scarabeo 7, in addition to the maintenance and upgrading of the existing asset base;
- €30 million in the Onshore Drilling sector relating to the upgrading of the existing asset base.

Net financial debt as at March 31, 2014 amounted to €5,563 million, an increase of €856 million compared to December 31, 2013. This increase is attributable solely to working capital movement while capex spend for the first quarter was entirely funded by operating cash flow.
There were four major drivers of the increase in working capital over the first quarter. The first two components relate to the timing and structure of the payments and milestones within the terms and

conditions of the contracts. The reversal impact of the down-payments received during 2013, from contracts won during the course of the year not replaced by similar inflows in the first quarter, accounted for about €110 million. A €430 million deterioration derives from a combination of fewer, high value milestones across a series of large legacy contracts where bad payment terms are penalising cash flow. The remaining two factors reflect the intensive commercial dialogue with some clients while reaching peak execution and completion of the late stages of the largest legacy contracts.
Following the improvement in payments achieved in the run up to year end, there has been an increase in trade receivables of some €220 million in the first quarter due to delays in payments, mainly in Nigeria, Saudi Arabia, China, Venezuela and Egypt.
Finally, coherently with the progress of the legacy contracts, there has been an increase in costs related to Change Orders under negotiations of around €90 million.

New contracts and backlog

In the first quarter of 2014 Saipem was awarded new contracts amounting to a total of €3,949 million (€2,883 million in the first quarter of 2013).

This includes some extremely important awards such as the construction of the first line of the South Stream offshore pipeline for a total value of approximately €2 billion and the EPC for the Jangkrik FPU (Floating Production Unit) offshore Indonesia for approximately €370 million.

The backlog as at March 31, 2014 stood at €18,520 million (€9,657 million in the Offshore Engineering & Construction sector, €4,467 million in the Onshore Engineering & Construction sector, and €4,396 million in the Drilling sectors), of which €8,114 million is due to be realised in 2014.

In April 2014, Saipem was awarded new contracts in excess of €3 billion, of which most notable are the contracts for the construction, operation and maintenance of two FPSO (Floating Production Storage Offloading) units for the Kaombo field, offshore Angola.

All of these new contracts have been written on terms in line with Saipem’s clearly stated commercial strategy adopted since the beginning of 2013.

Management outlook for 2014

For 2014, Saipem maintains the guidance presented at year-end 2013 with revenues between €12.5 and €13.6 billion, an EBIT between €600 and €750 million, net profit between €280 and €380 million and capex of €750 million.

With respect to the EBIT and net profit targets, notwithstanding the incident in Brazil earlier this year on P55 with an impact of around €40 million, Saipem is able to maintain the guidance provided due to the positive impact of new contract wins which will begin to take effect during the course of 2014.

In terms of net debt, despite the deterioration experienced in the first quarter, Saipem is maintaining a 2014 target of €4.2 billion, which could be achieved by the completion during the year of most legacy contracts with penalising payment terms, the ramp up of activities for new projects with more favourable payment conditions, potential additional down payments from future new contract wins and around €250 million of operating cash flow.

Saipem confirms that 2014 will be a year of transition with a return to profitability. The extent of the recovery will depend not only on the pace of contract awards and timing of execution of new contracts but also on the efficient operational and commercial execution of low-margin contracts still in the backlog, which for the remainder of 2014 should account for approximately €4.3 billion.

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 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 1 January 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 1 January 2014.
For comparison purposes, 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 arising from the IFRS 11 application : Financial Statements".

(million euro)

	Q1 2013	Q1 2013 Restated	Q1 2014	Q1 2014 mng view
Revenues	3,089	2,993	2,891	2,943
EBITDA	380	378	303	311
Operating profit	202	203	127	132
Net profit	110	110	61	61
Cash flow (Net profit + Depreciation and amortization)	288	285	237	240
Net current assets	1,302	1,419	1,725	1,670
Net equity	5,435	5,435	4,713	4,714

(million euro)

	Q1 2013 Restated	Q2 2013 Restated	Q3 2013 Restated	Q4 2013 Restated
Revenues	2,993	2,253	3,442	3,153
EBITDA	378	-252	392	349
Operating profit	203	-428	211	171
Net profit	110	-440	-101	-70
Cash flow (Net profit + Depreciation and amortization)	285	-264	282	248
Net current assets	1,419	192	976	895
Net equity	5,435	4,418	4,589	4,652

To enable a fairer representation of the Group’s situation, coherent with the analysis method used by Saipem’s Top Management, analyses by business sector were prepared considering the method of proportional consolidation for joint ventures.

These, identified as “management view”, are not to be considered as an alternative to those provided for by IFRS, but used solely as additional information.

In the first quarter of 2014, the most significant effect is to be found in the Offshore Engineering & Construction and amounts to €37 million on revenues and €6 million on operating profit.

The impact on the other business lines is negligible.

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 appliance 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 restated by Saipem for the second quarter of 2013, represents an increase in revenues of €245 million. This restatement has no impact on the first quarter of 2013, while the restatement will also be applied to the situations as at the end of June and December of 2013.

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

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

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

Conference call and webcast

A conference call and webcast will be hosted by the CEO Umberto Vergine today at 5.30pm CET (4.30pm GMT, 11.30pm EST, 8.30am PST) which can be followed on Saipem's website www.saipem.com by clicking on the webcast banner on the home page, or through the following URL: http://www.media-server.com/m/p/7qwoebd4.

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 / 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.

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Analysis by business sector

Engineering & Construction: Offshore (management view)

(million euro)

	Q1 2013	Q4 2013	Q1 2014	Q1 2014 vs Q1 2013 (%)
Revenues	1,288	1,400	1,542	19.7
Expenses	(1,154)	(1,238)	(1,408)	22.0
Depreciation and amortization	(68)	(76)	(69)	1.5
Operating profit	66	86	65	(1.5)
EBITDA %	10.4	11.6	8.7	
EBIT %	5.1	6.1	4.2	
New contracts	1,005	911	2,752	

The backlog at March 31, 2014 stood at €9,657 million, of which €5,025 million is due to be realised in 2014.

- Revenues for the first quarter of 2014 amounted to €1,542 million, representing a 19.7% increase compared to the first quarter of 2013, mainly due to higher levels of activity in West Africa and Central and South America.

- Operating results for the first quarter of 2014 amounted to €65 million, equal to 4.2% of revenues, compared to €66 million in the first quarter of 2013, equal to 5.1% of revenues. The EBITDA margin stood at 8.7% compared to the 10.4% margin recorded in the same period of 2013.

- Negative impact of around €40 million due to the FDS vessel accident experienced, on March 16, during activities on the P55 project in the Roncador field, in Brazil. The accident was caused by a structural failure of equipment and resulted in damage to the pipeline being installed. A remedial action plan was implemented immediately and the safe operational conditions were re-established, leading to the resumption of installation activities from 5th April 2014.

- The main contracts acquired in the first quarter of 2014 include:
  – for South Stream Transport B.V. the contract for the construction of the first line of the South Stream Offshore Pipeline, from Russia to Bulgaria across the Black Sea. The line will be laid by Saipem 7000;
  – for Eni, in a consortium led by Saipem, the EPCI contract for a new-build Floating Production Unit (FPU), due to operate on the Jangkrik Complex project in Indonesia.

- The proportional consolidation of joint ventures considered in the "management view", compared to the figures of the Interim Report as at March 31, 2014, has a positive impact on revenues of € 37 million and on operating profit of €6 million deriving mainly from operations in Angola.

Engineering & Construction: Onshore (management view)

(million euro)

	Q1 2013	Q4 2013	Q1 2014	Q1 2014 vs Q1 2013 (%)
Revenues	1,310	1,426	944	(27.9)
Expenses	(1,287)	(1,465)	(963)	(25.2)
Depreciation and amortization	(9)	(6)	(10)	11.1
Operating profit	14	(45)	(29)	ns
EBITDA %	1.8	-2.7	-2.0	
EBIT %	1.1	-3.2	-3.1	
New contracts	913	390	975	

The backlog at March 31, 2014 stood at €4,467 million, of which €1,960 million is due to be realised in 2014.

- Revenues for the first quarter of 2014 amounted to €944 million, representing a 27.9% decrease compared to the first quarter of 2013, mainly due to lower levels of activity in the Middle East and North Africa.

- Operating results for the first quarter of 2014 amounted to -€29 million, compared to €14 million in the first quarter of 2013. This reduction is mainly ascribed to the full scale operations of low-margin projects and the delay in the award of more remunerative projects.

- The main contracts acquired in the first quarter of 2014 include:

– for CNRL (Canadian Natural Resources), a contract for the development of “Hydro-treater Phase 3” as part of the Horizon Oil Sands project, in the Athabasca region of Canada;

– for Eni Congo, a contract encompassing engineering, procurement, transport and commissioning of an onshore treatment plant, which will treat and stabilize the gas coming through a dedicated gas pipeline from the offshore platform Litchendjili, south of Pointe Noire.

Drilling: Offshore (management view)

(million euro)

	Q1 2013	Q4 2013	Q1 2014	Q1 2014 vs Q1 2013 (%)
Revenues	304	285	284	(6.6)
Expenses	(142)	(126)	(142)	–
Depreciation and amortization	(66)	(64)	(63)	(4.5)
Operating profit	96	95	79	(17.7)
EBITDA %	53.3	55.8	50.0	
EBIT %	31.6	33.3	27.8	
New contracts	905	381	81	

The backlog at March 31, 2014 stood at €3,187 million, of which €794 million is due to be realised in 2014.

- Revenues for the first quarter of 2014 amounted to €284 million, representing a 6.6% decrease compared to the first quarter of 2013, mainly attributable to the reduced operations of the semi-submersible rig Scarabeo 7, which underwent upgrading works.

- Operating results for the first quarter of 2013 amounted to €79 million, compared to €96 million in the first quarter of 2013, with the margin on revenues decreasing from 31.6% to 27.8%. The EBITDA margin stood at 50%, a 3% decrease on the 53.3% achieved in the first quarter of 2013.

Vessel utilisation in the first quarter of 2014 and the impact of programmed maintenance for 2014 are as follows:

Vessel	***Q1 2014***		***Year 2014***
	Under contract	***Idle***	***Idle***
	(days)		***(days)***
Semi-submersible rig Scarabeo 3	90	–	16 (a)
Semi-submersible rig Scarabeo 4	90	–	–
Semi-submersible rig Scarabeo 5	83	7 (b)	7 (b)
Semi-submersible rig Scarabeo 6	90	–	31 (a)
Semi-submersible rig Scarabeo 7	–	90 (a)	136 (a)
Semi-submersible rig Scarabeo 8	84	6 (b)	6 (b)
Semi-submersible rig Scarabeo 9	89	1 (b)	32 (a+b)
Drillship Saipem 10000	90	–	–
Drillship Saipem 12000	90	–	–
Jack-up Perro Negro 2	87	3 (b)	3 (b)
Jack-up Perro Negro 3	90	–	–
Jack-up Perro Negro 4	90	–	–
Jack-up Perro Negro 5	90	–	–
Jack-up Perro Negro 7	88	2 (b)	94 (a+b)
Jack-up Perro Negro 8	90	–	5 (a)
Tender Assisted Drilling Barge	87	3 (b)	3 (b)
Ocean Spur	90	–	–

(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 (management view)

(million euro)

	Q1 2013	Q4 2013	Q1 2014	Q1 2014 vs Q1 2013 (%)
Revenues	187	192	173	(7.5)
Expenses	(126)	(132)	(119)	(5.6)
Depreciation and amortization	(35)	(35)	(37)	5.7
Operating profit	26	25	17	(34.6)
EBITDA %	32.6	31.3	31.2	
EBIT %	13.9	13.0	9.8	
New contracts	60	410	141	

The backlog at March 31, 2014 stood at €1,209 million, of which €335 million is due to be realised in 2014.

- Revenues for the first quarter of 2014 amounted to €173 million, representing a 7.5% decrease compared to the first quarter of 2013, mainly due to lower levels of activity in Algeria.

- Operating results for the first quarter of 2014 amounted to €17 million, compared to €26 million recorded in the first quarter of 2013, with the margin on revenues decreasing from 13.9% to 9.8%. The EBITDA margin stood at 31.2%, compared to 32.6% in the first quarter of 2013, owing mainly to lower levels of activity in Algeria.

Average utilization of assets in the first quarter of 2014 stood at 95.7% (95.9% in the first quarter of 2013). At March 31, 2014, the Company owned 97 rigs (in addition to 1 rig nearing completion) located as follows: 28 in Venezuela, 22 in Saudi Arabia, 18 in Peru, 8 in Colombia, 4 in Kazakhstan, 4 in Bolivia, 3 in Ecuador, 2 in Chile, and 1 each in Tunisia, Congo, Italy, Ukraine, Mauritania, Turkey, Turkmenistan and Morocco.
Additionally, 6 third-party rigs were deployed in Peru, 3 third-party rigs in Kazakhstan by the joint-venture company SaiPar, 1 third-party rig in Congo and 1 in Ecuador.

Attachments:

Reclassified consolidated balance sheet, consolidated income statements reclassified by nature and function of expenses and “management view” reclassified statement of cash flow.

MANAGEMENT VIEW
RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

		December 31, 2013		March 31, 2014
Net tangible fixed assets		7,972		8,001
Net intangible fixed assets		758		758
		8,730		8,759
- Engineering & Construction: Offshore	3,849		3,884	
- Engineering & Construction: Onshore	589		586	
- Drilling: Offshore	3,351		3,355	
- Drilling: Onshore	941		934	
Financial investments		126		130
Non-current assets		**8,856**		**8,889**
Net current assets		**828**		**1,670**
Employee termination indemnities		**(233)**		**(234)**
CAPITAL EMPLOYED		**9,451**		**10,325**
Shareholders’ equity		**4,652**		**4,714**
Minority interest in net equity		**92**		**48**
Net debt		**4,707**		**5,563**
COVER		**9,451**		**10,325**
Leverage (net debt/shareholders’ equity)		**0.99**		**1.17**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

MANAGEMENT VIEW
CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
NATURE OF EXPENSES

(million euro)

Q4 2013		Q1 2013	Q1 2014
3,303	Operating revenues	3,089	2,943
3	Other revenues and income	2	2
(2,354)	Purchases, services and other costs	(2,173)	(2,056)
(610)	Payroll and related costs	(538)	(578)
342	**GROSS OPERATING RESULT**	**380**	**311**
(181)	Amortization, depreciation and write-downs	(178)	(179)
161	**OPERATING RESULT**	**202**	**132**
(44)	Financial expenses	(38)	(49)
1	Income from investments	3	7
118	**INCOME BEFORE INCOME TAXES**	**167**	**90**
(41)	Income taxes	(52)	(29)
77	**INCOME BEFORE MINORITY INTEREST**	**115**	**61**
(7)	Minority interest	(5)	–
70	**NET RESULT**	**110**	**61**
251	**CASH FLOW (Net result + Depreciation and amortization)**	**288**	**240**

MANAGEMENT VIEW
CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
FUNCTION OF EXPENSES

(million euro)

Q4 2013		Q1 2013	Q1 2014
3,303	Operating revenues	3,089	2,943
(3,008)	Production costs	(2,760)	(2,691)
(39)	Idle costs	(41)	(32)
(39)	Selling expenses	(33)	(34)
(4)	Research and development costs	(3)	(2)
(3)	Other operating income (expenses), net	(5)	(4)
210	**CONTRIBUTION FROM OPERATIONS**	**247**	**180**
(49)	General and administrative expenses	(45)	(48)
161	**OPERATING RESULT**	**202**	**132**
(44)	Financial expenses	(38)	(49)
1	Income from investments	3	7
118	**INCOME BEFORE INCOME TAXES**	**167**	**90**
(41)	Income taxes	(52)	(29)
77	**INCOME BEFORE MINORITY INTEREST**	**115**	**61**
(7)	Minority interest	(5)	–
70	**NET RESULT**	**110**	**61**
251	**CASH FLOW (Net Result + Depreciation and amortization)**	**288**	**240**

MANAGEMENT VIEW
RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

Q4 2013		Q1 2013	Q1 2014
70	Net result	110	61
7	Minority interest	5	–
	Adjustments to reconcile cash generated from operating income before changes in working capital:		
129	Depreciation, amortization and other non-monetary items	162	168
23	Variation in working capital relating to operations	(425)	(837)
229	**Net cash flow from operations**	**(148)**	**(608)**
(224)	Investments in tangible and intangible fixed assets	(340)	(204)
338	Disposals		7
343	**Free cash flow**	**(488)**	**(805)**
–	Buy back of treasury shares/Exercise of stock options	–	–
–	Cash flow from share capital and reserves	(38)	(44)
32	Effect of exchange rate differences on net debt and other changes	(41)	(7)
375	**Change in net debt**	**(567)**	**(856)**
5,082	**Net debt at beginning of period**	**4,278**	**4,707**
4,707	**Net debt at end of period**	**4,845**	**5,563**

Effects arising from the IFRS 11 application : Financial Statements

The following tables illustrate the effects of restatements on the Balance Sheet as at December 31, 2013 and Income statement of the First and Fourth Quarter of 2013, following the coming into force of the new accounting standards IFRS 10 e IFRS 11. The tables also show effects on the Balance Sheet as at March 31, 2014 and the Income Statement of the First Quarter of 2014 restated in accordance with "management view".

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

	December 31, 2013	IFRS11 Impact	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**

(million euro)

	March 31, 2014	IFRS11 Impact	March 31, 2014 mng view
Net tangible fixed assets	7,944	57	8,001
Net intangible fixed assets	758	–	758
Financial investments	164	(34)	130
Non-current assets	**8,866**	**23**	**8,889**
Net current assets	**1,725**	**(55)**	**1,670**
Employee termination indemnities	**(219)**	**(15)**	**(234)**
CAPITAL EMPLOYED	**10,372**	**(47)**	**10,325**
Shareholders' equity	**4,714**	**–**	**4,714**
Minority interest in net equity	**48**	**–**	**48**
Net debt	**5,610**	**(47)**	**5,563**
COVER	**10,372**	**(47)**	**10,325**
Leverage (net debt/shareholders' equity)	**1.18**		**1.17**
SHARES ISSUED AND OUTSTANDING	**441.410.900**		**441.410.900**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(million euro)

	Q1 2013	IFRS11 Impact	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 RESULT	**380**	**(2)**	**378**
Amortization, depreciation and write-downs	(178)	3	(175)
OPERATING RESULT	**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 RESULT	**110**	–	**110**
CASH FLOW (Net result + Depreciation and amortization)	288	**(3)**	**285**

(million euro)

	Q1 2013	IFRS11 Impact	Q1 2013 restated
Operating revenues	3,303	(150)	3,153
Other revenues and income	3		3
Purchases, services and other costs	(2,354)	146	(2,208)
Payroll and related costs	(610)	11	(599)
GROSS OPERATING RESULT	**342**	**7**	**349**
Amortization, depreciation and write-downs	(181)	3	(178)
OPERATING RESULT	**161**	**10**	**171**
Financial expenses	(44)	–	(44)
Income from investments	1	(10)	(9)
INCOME BEFORE INCOME TAXES	**118**	**–**	**118**
Income taxes	(41)	–	(41)
INCOME BEFORE MINORITY INTEREST	**77**	–	**77**
Minority interest	(7)	–	(7)
NET RESULT	**70**	–	**70**
CASH FLOW (Net result + Depreciation and amortization)	**251**	**(3)**	**248**

(million euro)

	Q1 2014	IFRS11 Impact	Q1 mng view
Operating revenues	2,891	52	2,943
Other revenues and income	2	–	2
Purchases, services and other costs	(2,021)	(35)	(2,056)
Payroll and related costs	(569)	(9)	(578)
GROSS OPERATING RESULT	**303**	**8**	**311**
Amortization, depreciation and write-downs	(176)	(3)	(179)
OPERATING RESULT	**127**	**5**	**132**
Financial expenses	(49)	–	(49)
Income from investments	12	(5)	7
INCOME BEFORE INCOME TAXES	**90**	–	**90**
Income taxes	(29)	–	(29)
INCOME BEFORE MINORITY INTEREST	**61**	–	**61**
Minority interest	–	–	–
NET RESULT	**61**	–	**61**
CASH FLOW (Net result + Depreciation and amortization)	**237**	**3**	**240**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY
FUNCTION OF EXPENSES

(million euro)

	Q1 2013	IFRS11 Impact	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 RESULT	**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 RESULT	**110**	–	**110**
CASH FLOW (Net Result + Depreciation and amortization)	288	**(3)**	**285**

(million euro)

	Q1 2013	IFRS11 Impact	Q1 2013 restated
Operating revenues	3,303	(150)	3,153
Production costs	(3,008)	153	(2,855)
Idle costs	(39)	1	(38)
Selling expenses	(39)	2	(37)
Research and development costs	(4)	–	(4)
Other operating income (expenses), net	(3)	2	(1)
CONTRIBUTION FROM OPERATIONS	**210**	**8**	218
General and administrative expenses	(49)	2	(47)
OPERATING RESULT	**161**	**10**	171
Financial expenses	(44)	–	(44)
Income from investments	1	(10)	(9)
INCOME BEFORE INCOME TAXES	**118**	**–**	**118**
Income taxes	(41)	–	(41)
INCOME BEFORE MINORITY INTEREST	**77**	–	**77**
Minority interest	(7)	–	(7)
NET RESULT	**70**	–	**70**
CASH FLOW (Net Result + Depreciation and amortization)	**251**	**(3)**	**248**

(million euro)

	Q1 2014	IFRS11 Impact	Q1 mng view
Operating revenues	2,891	52	2,943
Production costs	(2,645)	(46)	(2,691)
Idle costs	(32)	–	(32)
Selling expenses	(34)	–	(34)
Research and development costs	(2)	–	(2)
Other operating income (expenses), net	(4)	–	(4)
CONTRIBUTION FROM OPERATIONS	**174**	**6**	**180**
General and administrative expenses	(47)	(1)	(48)
OPERATING RESULT	**127**	**5**	**132**
Financial expenses	(49)	–	(49)
Income from investments	12	(5)	7
INCOME BEFORE INCOME TAXES	**90**	–	**90**
Income taxes	(29)	–	(29)
INCOME BEFORE MINORITY INTEREST	**61**	–	**61**
Minority interest	–	–	–
NET RESULT	**61**	–	**61**
CASH FLOW (Net Result + Depreciation and amortization)	**237**	**3**	**240**

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

	Q1 2013	IFRS11Impact	Q1 2013 restated
Group net result	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)

	Q4 2013	IFRS11 Impact	Q4 2013 restated
Group net result	70	–	70
Minority interest	7	–	7
Adjustments to reconcile cash generated from operating income before changes in working capital:			
Depreciation, amortization and other non-monetary items	129	(6)	123
Variation in working capital relating to operations	23	20	43
Net cash flow from operations	**229**	**14**	**243**
Investments in tangible and intangible fixed assets	(224)	2	(222)
Disposals	338	–	338
Free cash flow	**343**	**16**	**359**
Buy-back of treasury shares / stock option exercise	–	–	
Cash flow from share capital and reserves		–	
Exchange rate differentials and other variation concerning net financial debt	32	–	32
Variation in net debt	**375**	**16**	**391**
Net debt at beginning of period	**5,082**	**69**	**5,151**
Net debt at end of period	**4,707**	**53**	**4,760**

(million euro)

	Q1 2014	IFRS11 Impact	Q1 2013 mng view
Group net result	61	–	61
Minority interest		–	
Adjustments to reconcile cash generated from operating income before changes in working capital:			
Depreciation, amortization and other non-monetary items	168	1	169
Variation in working capital relating to operations	(837)	3	(834)
Net cash flow from operations	**(608)**	**4**	**(604)**
Investments in tangible and intangible fixed assets	(204)	–	(204)
Disposals	7	–	7
Free cash flow	**(805)**	**4**	**(801)**
Buy-back of treasury shares / stock option exercise	–	–	
Cash flow from share capital and reserves	(44)	–	(44)
Exchange rate differentials and other variation concerning net financial debt	(7)	2	(5)
Variation in net debt	**(856)**	**6**	**(850)**
Net debt at beginning of period	**4,707**	**53**	**4,760**
Net debt at end of period	**5,563**	**47**	**5,610**

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