Saipem: First half 2015 results and turnaround plan
Repositioning Saipem to compete and create value in the new market context

San Donato Milanese, July 28, 2015 - The Board of Directors of Saipem S.p.A. today approved Saipem's consolidated Six-Month Report at June 30, 2015[1], and endorsed an incisive turnaround and cost cutting programme that will enable the Company to compete and create value in the new market context.

Highlights:

In-depth review of Saipem's competitive positioning in a highly deteriorated market environment:

- **Total write-downs of €929 million of net current and capital assets**
- **Rationalization of construction yards and disposal of vessels**
- **Expected cumulative savings for 2015-2017: €1,300 million**
- **Repositioning the company towards higher value core business segments**
- **Strategic plan brought forwards, to be issued by the Q3 results announcement**

First-half results take into account the termination of the South Stream contract and write-downs carried out in the second quarter:

- **Adjusted[2] EBIT: €-579 million, which includes the impact of €718 million of write-downs of net current assets**
- **EBIT: €-790 million, which includes €211 million in write-downs of capital assets**
- **Adjusted net profit: €-709 million**
- **Net profit: €-920 million**
- **Capital expenditure: €268 million (€329 million in the first half of 2014)**
- **Net debt at June 30, 2015: €5,531 million (€4,424 million at December 31, 2014) including a negative cash impact of €502 million relating to FX hedging derivatives maturing during the semester**
- **New contracts: €3,500 million (€13,132 million in the first half of 2014)**
- **Backlog: €19,018[3] million at June 30, 2015 (€22,147 million at December 31, 2014)**

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

[2] *Adjusted EBIT and Adjusted net profit do not include €211 million relating to the reduction in capital employed following capital assets write-downs (logistics bases and vessels)*

[3] *Cancelled from the backlog: €1,232 million from the South Stream contract and €24 million from a contract for the semi-submersible rig Scarabeo 5.*

Updated guidance for 2015, which takes into account write-downs carried out during the quarter:

- **Revenues: ~ €12 billion**
- **Adjusted EBIT: ~ €-250 million**
- **EBIT: ~ €-450 million**
- **Net profit: ~ €-800 million**
- **Investments: less than €600 million**
- **Net debt: less than €5 billion (excluding potential impact of US dollar fluctuations)**[4]

Stefano Cao, Saipem CEO, commented:

"Results for the second quarter of 2015 reflect a market that has greatly deteriorated. The further steep fall in the oil price has resulted in a major disruption, which is not likely to be reversed in the short-to-medium term and has resulted in Clients taking an increasingly rigid approach in the operational and commercial management of contracts.

In this market scenario, Saipem needs a step change to respond more effectively to the new requirements of its Clients.

We have therefore launched an in-depth process of transformation throughout the Company, which involves the rationalization of assets and the review of all processes, and which will generate cumulative savings of €1.3 billion between 2015 and 2017.

This will enable Saipem to improve its competitiveness, recover profitability and create value, leveraging on its remarkable competitive advantages – a solid and diversified backlog, robust and consolidated relations with its Clients, a state-of-the-art fleet and a wealth of technology, competencies and experience which make it unique in the market."

[4] *Current forecast is for hedging derivatives to affect net debt by approximately €500 million at year end*

“Fit for the future”: Saipem’s turnaround plan

In the context of a declining oil-price trend which shows no sign of reversing , the outlook for the oil services industry continues to deteriorate. Clients are focused on cost reduction, which results in a more rigid approach to negotiations, constant pressure on supply-chain margins, delays in new contract awards, and in some cases in the cancellation of already approved projects.

To maximise its competitive capabilities and create value in this new market scenario, Saipem has launched a turnaround and cost cutting programme which will achieve savings of €1,300 million over the period 2015-2017.

This programme involves a rationalization of the Company’s asset portfolio to refocus on higher-value areas and businesses. In terms of its geographical footprint, operations in certain countries, such as Canada and Brazil, will be downsized. The fleet will see the scrapping of 5 vessels which are not commercially viable in the current market. Furthermore, a review of the organization and processes is currently ongoing within Saipem in order to increase the speed and efficiency of operations.

These measures are expected to yield a workforce reduction of 8,800 people between 2015 and 2017, mainly as a result of the conclusion of certain large projects and the rationalization of the Company’s business operations and geographical presence.

This turnaround plan also entails a review of the Company’s investment plans, with effects on capex starting from 2015. This year’s investments are now forecast at below €600 million.

Further information regarding Saipem’s turnaround programme will be provided in the course of a strategic update, which will be released by the date of publication of Q3 results.

Consistently with the market context and measures detailed above, Saipem has reviewed its asset base and written down €929 million in net current and capital assets, affecting the results and the guidance for the full year.

Write-downs in net current assets amounted to €718 million, mainly as a result of the increased rigidity of negotiating positions for change orders and claims by Clients - both regarding existing issues and new circumstances that emerged or deteriorated during the second quarter of 2015 - in addition to the write-off of a portion of overdue receivables from Venezuela given the further worsening of the situation. Write-downs in capital assets amounted to €211 million and related to the disposal of vessels that cannot be utilized to carry out projects in the backlog, and to the reduced utilization of logistics bases affected by re-scheduling and/or cancellation of projects by Clients.

Results for the first half of 2015

(million euro)

Q2 2014	Q1 2015	Q2 2015	Q2 2015 vs Q2 2014 (%)		1H 2014	1H 2015	1H 2015 vs 1H 2014 (%)
3,075	3,020	2,353	(23.5)	Revenues	5,966	5,373	(9.9)
352	351	(548)	ns	EBITDA	655	(197)	ns
166	159	(949)	ns	Operating profit	293	(790)	ns
166	159	(738)	ns	Adjusted operating profit	293	(579)	ns
75	77	(997)	ns	Net profit	136	(920)	ns
75	77	(786)	ns	Adjusted net profit	136	(709)	ns
261	269	(596)	ns	Cash flow (Net profit + Depreciation and amortisation)	498	(327)	ns
125	150	118	(5.6)	Investments	329	268	(18.5)
9,232	2,399	1,101	(88.1)	New contracts	13,132	3,500	(73.3)

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.

Summary of write-downs and pre-write down “underlying” results[5]

	1H 2015 reported results	Impact of capital asset write-downs	1H 2015 adjusted results	Impact of net current asset write-downs	1H 2015 underlying results	Delta
Revenues	**5,373**	–	**5,373**	536	5,909	536
Expenses	**(5,570)**	–	**(5,570)**	182	(5,388)	182
Depreciation	**(593)**	211	**(382)**	–	(382)	211
Operating profit	**(790)**	211	**(579)**	718	139	929
EBITDA	**(197)**	–	**(197)**	718	521	718

Net of write-downs in net current and capital assets, the **underlying operating profit** for the first half of 2015 amounted to €139 million. This result reflects the effects of the termination for convenience of the South Stream contract, reduced profitability on projects in the Americas and the deterioration of certain onshore projects.

Capital expenditure in the first half of 2015 amounted to €268 million, of which €118 million in the second quarter (€125 million in the second quarter of 2014) and included:

- €30 million in the Offshore Engineering & Construction sector, relating mainly to the maintenance and upgrading of the existing asset base;
- €3 million in the Onshore Engineering & Construction sector, relating to the purchase of equipment and the maintenance of existing assets;

[5] For ease of comparison with previous quarters, the analysis of results by Business Unit does not detail the impact of write-downs in capital assets and net current assets. The following table provides a reconciliation of results over the period with the breakdown by business unit.

- €55 million in the Offshore Drilling sector, mainly relating to class reinstatement works for the drill-ships Saipem 10000 and Saipem 12000 and the jack-up Perro Negro 8, in addition to the maintenance and upgrading of the existing assets;
- €30 million in the Onshore Drilling sector, relating to the maintenance of the existing asset base.

Net financial debt at June 30, 2015 stood at €5,531 million, an increase of €1,107 million compared to December 31, 2014. This increase is primarily due to a deterioration in working capital resulting from the non-receipt of pending revenues under negotiation, now partially written down, as well as the worsening of issues relating to disputed variation orders or overdue receivables particularly in Canada, Nigeria, Venezuela. Furthermore, in the first half of 2015, cash flow was affected by the temporary negative impact of maturing forex derivatives, amounting to €502 million.

Backlog

During the first half of 2015, Saipem was awarded contracts amounting to €3,500 million, of which €1,101 million the second quarter (€9,232 million in the second quarter of 2014).

Saipem's backlog at June 30, 2015 stood at €19,018 million (€9,283 million in Offshore E&C, €6,086 million in Onshore E&C and €3,649 million in Drilling), of which €5,306 million is due to be realised in 2015. The total backlog includes the effects of the cancellation of the South Stream contract amounting to €1,232 million following the notification of termination for convenience, and the suspension by Statoil of the lease contract for the semi-submersible rig Scarabeo 5, amounting to €24 million.

Management Outlook for 2015

In the context of the continuing low oil-price environment, Saipem's results for 2015 will be affected by the termination of the South Stream contract and write-downs carried out in the second quarter.

The Company expects to achieve revenues of €12 billion, at the lower end of the previously-released range. Adjusted EBIT is forecast at around €-250 million, and reported EBIT at around €-450 million. Reported net profit is expected to be €-800 million.

Capex will amount to less than €600 million, a saving of €50 million compared to previous long-term indications, thanks to the measures adopted to improve efficiency.

Finally, net debt at year end is expected below €5 billion, excluding the impact of exchange rate fluctuations. Based on the current prevailing forex rates, we expect the cash impact of hedging derivatives to affect net debt by approximately €500 million 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, 2014 and the statutory and consolidated financial statements of Saipem S.p.A. at December 31, 2014, 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 Chief Financial 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 Stefano Cao today at 6.45pm CEST (5.45pm BST, 12.45am EDT, 9.45am PDT). It can be followed on Saipem's website www.saipem.com by clicking on the webcast banner on the home page, via the following link http://edge.media-server.com/m/p/mxk2onnq
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 the www.saipem.com website, around 15 minutes before the scheduled start time. This presentation will be also available for download from the authorised storage device "Nis Storage" at www.emarketstorage.com and Borsa Italiana S.p.A (www.borsaitaliana.it).

Saipem 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

(million euro)

Q2 2014	Q1 2015	Q2 2015	Q2 2015 vs Q2 2014 (%)		1H 2014	1H 2015	1H 2015 vs 1H 2014 (%)
1,679	1,751	1,677	(0.1)	Revenues	3,184	3,428	7.7
(1,478)	(1,603)	(1,583)	7.1	Expenses	(2,857)	(3,186)	11.5
201	148	94	(53.23)	Gross operating profit (EBITDA)	327	242	(26.0)
(81)	(79)	(81)	–	Depreciation	(147)	(160)	8.8
120	69	13	(89.2)	Operating profit	180	82	(54.4)
12.0	8.5	5.6		EBITDA %	10.3	7.1	
7.1	3.9	0.8		EBIT %	5.7	2.4	
5,527	2,122	620		New contracts	8,238	2,742	

The backlog at June 30, 2015 stood at €9,283 million, of which €3,161 million is due to be realised in 2015. The backlog includes the effects of the cancellation of the South Stream contract amounting to €1,232 million having received notification of termination for convenience.

- Revenues for the first half of 2015 amounted to €3,428 million, representing a 7.7% increase compared to the first half of 2014, mainly due to higher levels of activity in Azerbaijan and Kazakhstan, which largely offset the lower levels of activity recorded in North and South America.

- Operating profit for the first half of 2015 amounted to €82 million, equal to 2.4% of revenues, compared to €180 million in the same period of 2014, equal to 5.7% of revenues. The EBITDA margin stood at 7.1% compared to 10.3% in the same period for 2014. This decrease is due mainly to the cancellation of the South Stream project and lower profitability from projects in South America.

- Pursuant to accounting standards IFRS 10 and 11, the deconsolidation of joint ventures at June 30, 2015, had a negative impact of €105 million on revenues and a positive impact of €1 million on operating profit for the first half of 2015, deriving mainly from operations in Angola (negative impact of €99 million on revenues and a negative impact of €6 million on operating profit in the first half of 2014).

- The main contracts acquired in the second quarter of 2015 include:
  - on behalf of Saudi Aramco, as part of the Long Term Agreement recently extended until 2021, the EPC contract in Saudi Arabia, comprising engineering, procurement, construction, transport and installation of new offshore structures, production modules, approximately 5-km of pipelines plus underwater cabling.

Engineering & Construction: Onshore

(million euro)

Q2 2014	Q1 2015	Q2 2015	Q2 2015 vs Q2 2014 (%)		1H 2014	1H 2015	1H 2015 vs 1H 2014 (%)
955	758	786	(17.7)	Revenues	1,890	1,544	(18.3)
(998)	(766)	(893)	(10.5)	Expenses	(1,952)	(1,659)	(15.0)
(43)	(8)	(107)	ns	Gross operating profit (EBITDA)	(62)	(115)	85.5
(9)	(10)	(11)	22.2	Depreciation	(19)	(21)	10.5
(52)	(18)	(118)	ns	Operating profit	(81)	(136)	67.9
-4.5	-1.1	-13.6		EBITDA %	-3.3	-7.4	
-5.4	-2.4	-15.0		EBIT %	-4.3	-8.8	
3.355	256	175		New contracts	4.328	431	

The backlog at June 30, 2015 stood at €6,086 million, of which €1,364 million is due to be realised in 2015.

- Revenues for the first half of 2015 amounted to €1,544 million, representing an 18.3% decrease compared to the first half of 2014, mainly due to lower levels of activity in the Middle East, Australia and North America.

- Operating profit for the first half of 2015 amounted to -€136 million, compared to -€81 million in the first half of 2014, due to reduced results from projects in the Middle East.

- Pursuant to accounting standards IFRS 10 and 11, the deconsolidation of joint ventures at June 30, 2015, had a negative impact of €35 million on revenues and a negative impact of €5 million on operating profit, deriving mainly from operations in Turkey (negative impact of €25 million on revenues and negative impact of €2 million on operating profit in the first half of 2014).

- The main contracts acquired in the second quarter of 2015 include:
  - on behalf of Pipeline El Encino, the EPC project comprising engineering, procurement, construction and commissioning support for a compression station in El Encino, Mexico.

Drilling: Offshore

(million euro)

Q2 2014	Q1 2015	Q2 2015	Q2 2015 vs Q2 2014 (%)		1H 2014	1H 2015	1H 2015 vs 1H 2014 (%)
272	308	230	(15.4)	Revenues	556	538	(3.2)
(136)	(163)	(111)	(18.4)	Expenses	(278)	(274)	(1.49)
136	145	119	(12.5)	Gross operating profit (EBITDA)	278	264	(5.0)
(60)	(59)	(54)	(10.0)	Depreciation	(123)	(113)	(8.1)
76	86	65	(14.5)	Operating profit	155	151	(2.6)
50.0	47.1	51.1		EBITDA %	50.0	49.1	
27.9	27.9	28.3		EBIT %	27.9	28.1	
61	9	180		New contracts	142	189	

The backlog at June 30, 2015 stood at €2,547 million, of which €493 million is due to be realised in 2015. The backlog includes the effects of the cancellation of the contract for the lease of the semi-submersible rig Scarabeo 5 amounting to €24 million**,** suspended by the Client Statoil.

- Revenues for the first half of 2015 amounted to €538 million, representing an 3.2% decrease compared to the first half of 2014, mainly attributable to reduced revenues from the drillship Saipem 10000 and the jack-up Perro Negro 8, which underwent upgrading works, and by the semi-submersible rig Scarabeo 3, which has been idle since March 2015. These were partially offset by increased revenues from the full scale operations of the semi-submersible rig Scarabeo 7, which had undergone preparatory works in the first half of 2014.

- Operating profit for the first half of 2015 amounted to €151 million, compared to €155 million in the first half of 2014, with the margin on revenues largely unchanged. The EBITDA margin stood at 49,1%, a decrease of almost 1% on the 50% achieved in the first half of 2014.

- The main contracts acquired in the second quarter of 2015 include:
  - on behalf of National Drilling Company of Abu Dhabi, the contract for the lease of the jack-up Perro Negro 8 for 30 months beginning in June 2015, in the Arab Emirates.

- Vessel utilisation in the first half of 2015 and the maintenance schedule for 2015 are as follows:

Vessel	***1H 2015***		***Year 2015***
	Under contract	***Idle***	***Idle***
	(days)		***(days)***
Semi-submersible rig Scarabeo 3	144	37 (b+c)	98 (a+b+c)
Semi-submersible rig Scarabeo 4*	95	86 (c)	86 (c)
Semi-submersible rig Scarabeo 5	175	6 (b)	6 (b)
Semi-submersible rig Scarabeo 6	174	7 (b)	24 (a+b)
Semi-submersible rig Scarabeo 7	181	–	–
Semi-submersible rig Scarabeo 8	181	–	–
Semi-submersible rig Scarabeo 9	180	1 (b)	1 (b)
Drillship Saipem 10000	90	91 (a)	122 (a)
Drillship Saipem 12000	152	29 (a+b)	94 (a+b)
Jack-up Perro Negro 2	107	74 (a)	74 (a)
Jack-up Perro Negro 3	181	–	–
Jack-up Perro Negro 4	171	10 (a)	10 (a)
Jack-up Perro Negro 5	179	2 (b)	124 (a+b)
Jack-up Perro Negro 7	181	–	–
Jack-up Perro Negro 8	–	181 (a)	205 (a)
Tender Assisted Drilling Barge	172	9 (a)	16 (a)
Ocean Spur**	96	–	–

***** Vessel completely devalued awaiting scrapping
****** Leased third-party vessel, returned to its owner

(a) = the vessel underwent/shall undergo class reinstatement works and/or preparation works for a new contract.
(b) = the vessel underwent maintenance works to address technical problems.
(c) = the vessel was not under contract.

Drilling: Onshore

(million euro)

Q2 2014	Q1 2015	Q2 2015	Q2 2015 vs Q2 2014 (%)		1H 2014	1H 2015	1H 2015 vs 1H 2014 (%)
169	203	196	16.0	Revenues	336	399	18.8
(111)	(137)	(132)	18.9	Expenses	(224)	(269)	20.1
58	66	64	10.3	Gross operating profit (EBITDA)	112	130	16.1
(36)	(44)	(44)	22.2	Depreciation	(73)	(88)	20.5
22	22	20	(9.1)	Operating profit	39	42	7.7
34.3	32.5	32.7		EBITDA %	33.3	32.6	
13.0	10.8	10.2		EBIT %	11.6	10.5	
289	12	126		New contracts	424	138	

The backlog at June 30, 2015 stood at €1,102 million, of which €288 million is due to be realised in 2015.

- Revenues for the first half of 2015 amounted to €399 million, an 18.8% increase compared to the revenues achieved in the first half of 2014, due mainly to increased levels of activity in Saudi Arabia and South America.

- Operating profit for the first half of 2015 amounted to €42 million, compared to €39 million in the first half of 2014, with the margin on revenues easing from 11.6% to 10.5%. The EBITDA margin stood at 32.6%, a slight decrease compared to the first half of 2014.

- Pursuant to accounting standards IFRS 10 and 11, the deconsolidation of joint ventures at June 30, 2015, had a negative impact of €13 million on revenues and a negative impact of €1 million on operating profit (same impact in the first half of 2014).

- In the second quarter of 2015, a number of contracts were awarded by various clients for the lease of 14 rigs in Italy and South America, whose durations range from four months to two years.

Average utilization of assets in the second quarter of 2015 stood at 93.5% (95.8% in the second quarter of 2014). As of June 30, 2015, the Company owned 100 rigs located as follows: 28 in Saudi Arabia, 28 in Venezuela, 19 in Peru, 6 in Colombia, 4 in Bolivia, 4 in Ecuador, 4 in Kazakhstan, 2 in Italy, 1 in Chile, 1 in Congo, 1 in Mauritania, 1 in Tunisia and 1 in Turkmenistan.
Additionally, 5 third-party rigs were deployed in Peru, 1 third-party rig in Congo and 1 in Chile.

Attachments:

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

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

	December 31, 2014	June 30, 2015
Net tangible fixed assets	7,601	7,383
Net intangible fixed assets	760	758
	8,361	8,141
Financial investments	112	107
Capital assets	**8,473**	**8,248**
Net current assets	**297**	**869**
Employee termination indemnities	**(237)**	**(240)**
Assets (Liabilities) available for disposal	**69**	**–**
CAPITAL EMPLOYED	**8,602**	**8,877**
Shareholders' equity	**4,137**	**3,288**
Minority interest in net equity	**41**	**58**
Net debt	**4,424**	**5,531**
COVER	**8,602**	**8,877**
Leverage (net debt/shareholders' equity)	**1.06**	**1.63**
SHARES ISSUED AND OUTSTANDING	**441,410,900**	**441,410,900**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(million euro)

Q2 2014	Q1 2015	Q2 2015		1H 2014	1H 2015
3,075	3,020	2,353	Operating revenues	5,966	5,373
2	–	–	Other revenues and income	4	–
(2,097)	(2,047)	(2,302)	Purchases, services and other costs	(4,118)	(4,349)
(628)	(622)	(599)	Payroll and related costs	(1,197)	(1,221)
352	**351**	**(548)**	**GROSS OPERATING RESULT**	**655**	**(197)**
(186)	(192)	(401)	Amortization, depreciation and write-downs	(362)	(593)
166	**159**	**(949)**	**OPERATING RESULT**	**293**	**(790)**
(61)	(52)	(58)	Financial expenses	(110)	(110)
5	24	(17)	Income from investments	17	7
110	**131**	**(1,024)**	**INCOME BEFORE INCOME TAXES**	**200**	**(893)**
(35)	(43)	30	Income taxes	(64)	(13)
75	**88**	**(994)**	**INCOME BEFORE MINORITY INTEREST**	**136**	**(906)**
–	(11)	(3)	Minority interest	–	(14)
75	**77**	**(997)**	**NET RESULT**	**136**	**(920)**
261	**269**	**(596)**	**CASH FLOW (Net result + Depreciation and amortization)**	**498**	**(327)**

CONSOLIDATED INCOME STATEMENT
RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

Q2 2014	Q1 2015	Q2 2015		1H 2014	1H 2015
3,075	3,020	2,353	Operating revenues	5,966	5,373
(2,790)	(2,726)	(3,175)	Production costs	(5,435)	(5,901)
(29)	(43)	(43)	Idle costs	(61)	(86)
(36)	(32)	(31)	Selling expenses	(70)	(63)
(3)	(4)	(2)	Research and development costs	(5)	(6)
(4)	(5)	(3)	Other operating income (expenses), net	(8)	(8)
213	**210**	**(901)**	**CONTRIBUTION FROM OPERATIONS**	**387**	**(691)**
(47)	(51)	(48)	General and administrative expenses	(94)	(99)
166	**159**	**(949)**	**OPERATING PROFIT**	**293**	**(790)**
(61)	(52)	(58)	Financial expenses	(110)	(110)
5	24	(17)	Income from investments	17	7
110	**131**	**(1,024)**	**INCOME BEFORE INCOME TAXES**	**200**	**(893)**
(35)	(43)	30	Income taxes	(64)	(13)
75	**88**	**(994)**	**INCOME BEFORE MINORITY INTEREST**	**136**	**(906)**
–	(11)	(3)	Minority interest	–	(14)
75	**77**	**(997)**	**NET PROFIT**	**136**	**(920)**
261	**269**	**(596)**	**CASH FLOW (Net Profit + Depreciation and amortization)**	**498**	**(327)**

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

Q2 2014	Q1 2015	Q2 2015		1H 2014	1H 2015
75	77	(997)	Net profit	136	(920)
–	11	3	Minority interest	–	14
			Adjustments to reconcile cash generated from operating income before changes in working capital:		
152	134	573	Depreciation, amortization and other non-monetary items	321	707
427	(816)	163	Variation in working capital relating to operations	(407)	(653)
654	**(594)**	**(258)**	**Net cash flow from operations**	**50**	**(852)**
(127)	(150)	(118)	Investments in tangible and intangible fixed assets	(331)	(268)
–	–	(1)	Investments and purchase of consolidated subsidiaries and businesses	–	(1)
–	97	–	Disposals	7	97
527	**(647)**	**(377)**	**Free cash flow**	**(274)**	**(1,024)**
–	–	–	Buy back of treasury shares/Exercise of stock options	–	–
–	(2)	–	Cash flow from share capital and reserves	(44)	(2)
(21)	(120)	39	Effect of exchange rate differences on net debt and other changes	(26)	(81)
506	**(769)**	**(338)**	**Change in net debt**	**(344)**	**(1,107)**
5,610	**4,424**	**5,193**	**Net debt at beginning of period**	**4,760**	**4,424**
5,104	**5,193**	**5,531**	**Net debt at end of period**	**5,104**	**5,531**