3.1.2.4 EXCEPTIONAL ITEMS

Reported operating profit amounted to 814 million euro, a decline of 17.3% at current currency exchange rates and 15.2% excluding the currency effect.

This amount includes the following exceptional items:

(in millions of euro)	Fiscal 2013	Fiscal 2012	Change	
			At current exchange rates	At constant exchange rates
Operating profit before exceptional items	953	958	-0.5%	+1.7%
Exceptional expenses for the program to improve operational efficiency and reduce costs	(139)			
Retirement plan accounting adjustment	-	26		
Total exceptional items	**(139)**	**26**		
REPORTED OPERATING PROFIT	**814**	**984**	**-17.3%**	**-15.2%**

At the beginning of Fiscal 2013, Group senior management launched a program to improve operational efficiency and reduce costs. The objective of the program is to reduce on-site operating costs and achieve administrative cost savings, with annual savings increasingly affecting operating profit in Fiscal 2014 and Fiscal 2015. As announced in April 2013, senior management expects the program to generate exceptional costs of 180 to 200 million euro over a period of 18 months starting in September 2012. During Fiscal 2013 costs of 139 million euro were recognized in connection with this program, as follows:

- exceptional expenses which reduced gross margin: 47 million euro related to asset impairments and the cost of terminating certain under-performing contracts or activities representing annual revenues of around 230 million euro;
- exceptional expenses recorded in overheads: 92 million euro related in particular to various cost-cutting measures and restructuring costs in many countries worldwide.

As a result of new regulations in the United Kingdom, the Group elected in October 2011 to replace the retail price index (RPI) with the consumer price index (CPI) in the calculation of future indexation adjustments to the pension obligations to certain beneficiaries of its pension plan. Consequently, a favorable accounting adjustment was recorded in Fiscal 2012 related to this change.

Information related to operating income in the remainder of this section excludes these exceptional items.

3.1.2.5 NET FINANCING COSTS

Net financing costs decreased to 136 million euro in Fiscal 2013 from 166 million euro in Fiscal 2012.

Half of the decline was due to the reduction in net debt over the fiscal year and half came from an increase in proceeds from the sale of financial investments, particularly equity interests in project companies set up in connection with Public-Private Partnership (PPP) contracts in the United Kingdom.

3.1.2.6 INCOME TAX EXPENSE

Income tax expense was 233 million euro, representing an effective tax rate of 34.3% as compared to the prior year rate of 34.9%.

The effective tax rate was lower despite the higher tax rates applicable in several countries, particularly France (where additional taxes are paid on dividend distribution and interest expense is partially not deductible). This was primarily attributable to the exclusion from the tax base of certain items of income such as gains on sales of equity interests in project companies set up in connection with Public-Private Partnership (PPP) contracts in the United