## Saipem: the Board approves the 2018 draft Financial Statements

**Year 2018**

- Guidance fully confirmed in what remains a challenging market scenario
- Operational performance constantly improving
- Robust and balanced backlog also thanks to important contract awards in Q4
- Continuous and progressive reduction of net debt despite CAPEX for new vessel
- Reported results include special items for the most part already notified to the market
- Possible settlement of South Stream dispute, as under discussion, included the results

**Year 2019**

- Revenue guidance[1] approximately €9 billion, with adjusted EBITDA in excess of 10%, net debt approximately €1 billion

*San Donato Milanese, February 28, 2019* – Yesterday, the Board of Directors of Saipem S.p.A., chaired by Francesco Caio, reviewed the Saipem Group draft consolidated Financial Statements[2] as at December 31, 2018, which have been prepared in compliance with the International Financial Reporting Standards (EU approved IFRS).

**Results for 2018:**

- Revenues: €8,526 million (€8,999 million in 2017), of which €2,469 million in the fourth quarter
- Adjusted EBITDA: €1,002 million (€964 million in 2017), of which €242 million in the fourth quarter
- Reported EBITDA: €848 million (€862 million in 2017), of which €206 million in the fourth quarter
- Adjusted operating profit (EBIT): €534 million (€440 million in 2017), of which €117 million in the fourth quarter
- Reported operating profit (EBIT): €37 million (€126 million in 2017), loss of €6 million in the fourth quarter
- Adjusted net profit: profit of €25 million (€46 million in 2017), of which €8 million in the fourth quarter
- Reported net result: write-downs and reorganisation expenses of €497 million (loss of €328 million in 2017, net of write-downs, reorganisation expenses and tax dispute settlement of €374 million), which lead to a loss for the period of €472 million of which: €115 million in the fourth quarter net of write-downs and reorganisation expenses of €123 million
- Capital expenditure: €485 million (€262 million in 2017), of which €120 million in the fourth quarter
- Net debt at December 31, 2018: €1,159 million (€1,296 million at December 31, 2017)
- New contracts: €8,753 million (€7,399 million in 2017), of which €2,632 million in the fourth quarter
- Backlog: €12,619 million (€12,392 million at December 31, 2017), which does not include backlog of joint-venture contracts of €1,844 million

[1] *Continuity with pre-IFRS16 adoption*

[2] *Not subject to audit*

**Guidance 2019[3]:**

- Revenues: approximately €9 billion
- Adjusted EBITDA: > 10%
- Capital expenditure: approximately €500 million
- Net debt: approximately €1 billion

**Stefano Cao, Saipem CEO, commented:**

*"The results for 2018 are beyond expectations: the guidance is fully confirmed, EBITDA is higher than expected and, thanks to cash generation, net debt is falling. Over the course of the year we have redefined the objectives of Company repositioning, which are already demonstrating the appropriateness and timeliness of the strategic choices implemented. In particular, this includes the Company reorganisation, which means we are now ready to exploit future market opportunities with the flexibility required. We have been awarded a consistent number of new contracts in all business sectors, especially in Offshore E&C and Onshore E&C, while pursuing a path towards attaining a balance between oil and non-oil price related projects. Finally, we are in a promising phase of negotiations with South Stream BV aimed at obtaining an amicable settlement of the dispute, which could be reached as early as the end of March 2019".*

[3] *Continuity with pre-IFRS16 adoption*

## Financial highlights

(million euro)

| Q4 2017 | Q3 2018 | Q4 2018 | Q4 2018 vs Q4 2017 (%) | | Year 2017 | Year 2018 | 2018 vs 2017 (%) |
|---|---|---|---|---|---|---|---|
| 2,126 | 2,259 | 2,469 | 16.1 | Revenues | 8,999 | 8,526 | (5.3) |
| 169 | 277 | 242 | 43.2 | Adjusted EBITDA | 964 | 1,002 | 3.9 |
| 40 | 162 | 117 | ns | Adjusted operating profit | 440 | 534 | 21.4 |
| (131) | 117 | (6) | ns | Operating profit | 126 | 37 | (70.6) |
| (105) | 11 | 8 | ns | Adjusted net profit | 46 | 25 | (45.7) |
| (271) | (34) | (115) | (57.6) | Net profit | (328) | (472) | 43.9 |
| 24 | 126 | 133 | ns | Adjusted Cash flow (adjusted net profit + depreciation and amortisation) | 570 | 493 | (13.5) |
| 94 | 52 | 173 | 84 | Free Cash flow | 190 | 200 | 5.3 |
| 1,296 | 1,270 | 1,159 | (10.6) | Net financial position | 1,296 | 1,159 | (10.6) |
| 64 | 52 | 120 | 87.5 | Capital expenditure | 262 | 485 | 85.1 |
| 2,682 | 2,135 | 2,632 | (41.9) | New contracts | 7,399 | 8,753 | 18.3 |

*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.*

### South Stream settlement

Saipem and South Stream Transport BV have expressed the common intention to negotiate – on a "without prejudice" basis - the amicable settlement of the arbitration ongoing since November 2015. The status of negotiations is considered "promising" by both parties and both parties share the objective to complete the negotiations of the amicable settlement of the arbitration by the end of March 2019.

The draft results at 31 December, 2018 already take into account the effects of the envisaged amicable settlement as currently under discussion between the parties.

### Update for the new organisational structure

Changes to the organisational structure are now complete, reflecting the new strategic direction of the Company, completing the divisionalisation process started in 2017 aimed at granting full autonomy to the individual Divisions, particularly in the areas of: commercial, project execution, technology and Research & Development, business strategies, partnerships, etc. Following the adoption of the new strategic direction and the changes to the organisational model, the impairment test procedure of the Group's Cash Generating Units was updated and applied the impairment tests at June 30, 2018 and December 31, 2018.

### Re-organisation: impact on reporting

The Floater business line was included in the Onshore Engineering & Construction division.

The results of the Onshore Engineering & Construction division temporarily include the results of the XSight division, as the latter is still in the start-up phase and immaterial from a numerical standpoint.

### Business update for 2018

**Revenues** amounted to €8,526 million, down by 5.3% from 2017, due to a contraction in the Onshore E&C and Offshore Drilling sectors, partly offset by increased activities in the Offshore E&C sector.

**Adjusted EBITDA** amounted to €1,002 million (€964 million in 2017): this increase is attributable mainly to the Onshore E&C sector, largely offset by a decrease in the Offshore Drilling sector affected by fewer contracts awarded to the fleet.

**Adjusted net profit** amounted to €25 million, down from €46 million in 2017; against an increased 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, amounting to a loss of €472 million, unlike adjusted net profit, was reduced by the following special items:

- write-downs of tangible and intangible assets of €343 million deriving mainly from impairment tests;
- write downs and accruals, totalling €109 million, relating to several litigations pending for a long period 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 waits 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 to June 2011 relating to certain contracts completed several years ago. The provision at September 30, 2018, 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 offence 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. On February 1, 2019, Saipem appealed the Court's decision before the Court of Appeal of Milan. 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 €45 million.

In 2017, **net result** amounting to a loss of €328 million, unlike adjusted net profit, was reduced by the following special items:

- the write-down of assets amounting to €252 million;
- impact of tax dispute settlements of €79 million;
- organisation expenses of €43 million (net of the tax effect).

**Capital expenditure** in 2018, inclusive of the purchase of the vessel Saipem Constellation (approximately €220 million), amounted to €485 million (€262 million in 2017), broken down as follows:

- €345 million in Offshore Engineering & Construction;
- €28 million in Onshore Engineering & Construction;
- €66 million in Offshore Drilling;
- €46 million in Onshore Drilling.

**Net debt** at December 31, 2018 amounted to €1,159 million, a decrease of €137 million on December 31, 2017 (€1,296 million). During the year, the cash generated and control over working capital and expenditure enabled Saipem to absorb the outlay for the purchase of the Saipem Constellation vessel and the payment of the debt owed to Sonatrach relating to the LPG settlement.

**Backlog**

In 2018, Saipem was awarded new contracts amounting to €8,753 million (€7,399 million in 2017). The backlog at December 31, 2018 amounted to €12,619 million (€4,981 million in Offshore Engineering & Construction, €6,323 million in Onshore Engineering & Construction, €716 million in Offshore Drilling and €599 in Onshore Drilling), of which €6,506 million is to be realised in 2019. The backlog of joint-venture contracts at December 31, 2018 amounted to €1,844 million.

**New contracts awarded after year-end**

As announced on January 18, 2019, Saipem was awarded two EPIC contracts in Saudi Arabia by the client Saudi Arabian Oil Co (Saudi Aramco) for a total amount of approximately 1,3 billion USD, as part of the ongoing Long-Term agreement for offshore activities, renewed in 2015 and in force until 2021. These two contracts refer to the development of offshore fields in Berri and Marjan, located in the Arabian Gulf. Activities include the design, engineering, procurement, construction, installation and implementation of subsea systems in addition to the laying of pipelines, subsea cables and umbilicals and related platforms.

**Adjusted EBIT - Reported EBIT reconciliation**

(million euro)

| | Offshore E&C | Onshore E&C | Offshore Drilling | Onshore Drilling | Total | |
|---|---|---|---|---|---|---|
| **Adjusted EBIT** | **318** | **78** | **120** | **18** | **534** | |
| Impairment | | 73 | 262 | | 335 | |
| Write-downs of tangible assets | | | | 8 | 8 | |
| Write downs and accruals | | 109 | | | 109 | (a) |
| Reorganisation expenses | 13 | 21 | 7 | 4 | 45 | (a) |
| Total special items | (13) | (203) | (269) | (12) | (497) | |
| **Reported EBIT** | **305** | **(125)** | **(149)** | **6** | **37** | |

a) Special items affecting EBITDA amount to €154 million, i.e. the reconciliation of adjusted EBITDA of €1,002 million versus reported EBITDA of €848 million

**Adoption of IFRS9 and IFRS15**

The new international financial reporting standards IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” came into force on January 1, 2018. In its first application of these standards, Saipem, as announced with the publication of Q1 results 2018, availed itself of the possibility of recognising the effect connected to the retroactive restatement of the values in shareholders' equity at January 1, 2018, with regard to the entries existing on that date, without restating the previous financial years under comparison.

For details, please refer to the section "Summary of the effects deriving from the application of IFRS 9 and IFRS 15: Reclassified Consolidated Balance Sheet"

**Adoption of IFRS16**

The new international financial reporting standard IFRS16 “Leases” came into force on January 1, 2019. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In its first application, Saipem can take advantage of the possibility of recognising the effect connected to the retroactive restatement of the values in shareholders' equity at January 1, 2019, without restating the previous financial years under comparison (modified retrospective approach). Briefly, the new provisions of IFRS 16 provide the accounting of:

- in the balance sheet: right-of-use assets and financial lease liabilities of corresponding amounts representing the obligation to make lease payments as provided for in the contract;
- in the income statement: write-downs of right-of-use assets and interest accrued on lease liabilities;
- the following effects occur in the cash flow statement: a) a change in net cash flow from operations, which will no longer include lease payments, but only the interest expended on lease liabilities; b) a

change in net cash flow from investments, which will no longer include lease payments on tangible and intangible assets, but only the interest expended on lease liabilities; c) a change in net cash flow from financing activities that will include payments related to the reimbursement of lease liabilities.

Based on the available information, the adoption of IFRS 16 implies the recognition of right-of-use assets of approximately €550 million; this estimate may vary should its interpretation change following IFRIC indications, in addition to the refinement of the reporting process in view of the first application of IFRS 16 in the 2019 financial reporting. Further details will be provided in the Annual Report.

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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, 11.00 pm PDT). The conference call can be followed on Saipem's website (www.saipem.com) by clicking on "Webcast 2018 Results" on the home page, or through the following URL: https://edge.media-server.com/m6/p/v6ab4g3q.

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 authorised storage device "eMarketSTORAGE" (www.emarketstorage.com) and Borsa Italiana S.p.A (www.borsaitaliana.it).

*Saipem is a leading company in engineering, drilling and construction of major projects in the energy and infrastructure sectors. It is "One-Company" organized in five business divisions (Offshore E&C, Onshore E&C, Offshore Drilling, Onshore Drilling and XSight, dedicated to conceptual design). Saipem is a global solution provider with distinctive skills and competences and high-tech assets, which it uses to identify solutions aimed at satisfying its customers' requirements. Listed on the Milan Stock Exchange, it is present in over 60 countries worldwide and has 32 thousand employees of 120 different nationalities.*

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## Analysis by business sector – Adjusted results:

### Offshore Engineering & Construction

(million euro)

| Q4 2017 | Q3 2018 | Q4 2018 | Q4 2018 vs Q4 2017 (%) | | Year 2017 | Year 2018 | 2018 vs 2017 (%) |
|---|---|---|---|---|---|---|---|
| 646 | 1,062 | 1,040 | 61 | Revenues | 3,692 | 3,852 | 4.3 |
| (490) | (899) | (939) | 91,6 | Expenses | (3,137) | (3,329) | 6.1 |
| 156 | 163 | 101 | (35.3) | Adjusted EBITDA | 555 | 523 | (5.8) |
| (51) | (51) | (55) | 7.8 | Depreciation | (196) | (205) | 4.6 |
| 105 | 112 | 46 | (56.2) | Adjusted operating profit | 359 | 318 | (11.4) |
| 24.1 | 15.3 | 9.7 | | Adjusted EBITDA % | 15.0 | 13.6 | |
| 16.3 | 10.5 | 4.4 | | Adjusted EBIT % | 9.7 | 8.3 | |
| 674 | 1,041 | 1,575 | | New contracts | 3,404 | 4,189 | |

Backlog at December 31, 2018: €4,981 million, of which €2,997 million to be realised in 2019.

- Revenues for 2018 amounted to €3,852 million, up by 4.3% compared to 2017, mainly attributable to greater volumes recorded in the Middle East and the North Sea, partly offset by lower volumes recorded in the Caspian Sea and in Central/South America.

- Adjusted EBITDA for 2018 amounted to €523 million, equal to 13.6% of revenues, a slight reduction compared to €555 million, equal to 15% of revenues in 2017. This result already includes the effects of the envisaged amicable settlement of the South Stream project as currently under discussion between the parties.

- The most significant awards in the fourth quarter of 2018 include:
  - on behalf of Petrobel, additional works in relation to the "Ramp Up to Plateau" phase of the "supergiant" Zohr Field Development Project situated in the Mediterranean Sea off the Egyptian coast. The scope of works includes engineering, procurement, construction and installation of a second gas export pipeline, infield clad lines, umbilicals and electrical/fibre optic cables, as well as EPCI work for the field development in deep water of 10 wells;
  - on behalf of Total, a contract in Azerbaijan for the development of the Absheron field in the Caspian Sea. The scope of work includes engineering, procurement, fabrication and offshore installation, assistance to commissioning and to performance testing of a production flowline, its Flowline End Termination structure and main umbilical;
  - on behalf of Eni Congo, a Modification, Maintenance and Operations (MMO) contract in the Republic of Congo for the provision of maintenance services, modifications and improvements to all Eni Congo offshore sites in the Republic of Congo over a 36-month period.

- Saipem has also been awarded by BP, during the first quarter of 2019, the EPCI contract for the Tortue project that will be executed in a consortium with the French company Eiffage, on the maritime border between Mauritania and Senegal. The scope of work includes the engineering, procurement, construction and installation of berthing and loading facilities with the use of Saipem 3000.

## Onshore Engineering & Construction

(million euro)

| Q4 2017 | Q3 2018 | Q4 2018 | Q4 2018 vs Q4 2017 (%) | | Year 2017 | Year 2018 | 2018 vs 2017 (%) |
|---|---|---|---|---|---|---|---|
| 1,219 | 958 | 1,189 | (2.5) | Adjusted Revenues[4] | 4,204 | 3,769 | (10.3) |
| (1,314) | (928) | (1,152) | (12.3) | Expenses | (4,225) | (3,651) | (13.6) |
| (95) | 30 | 37 | ns | Adjusted EBITDA | (21) | 118 | Ns |
| (13) | (11) | (10) | (23.1) | Depreciation | (73) | (40) | (45.2) |
| (108) | 19 | 27 | ns | Adjusted operating profit | (94) | 78 | Ns |
| (7.8) | 3.1 | 3.1 | | Adjusted EBITDA % | (0.5) | 3.1 | |
| (8.9) | 2.0 | 2.3 | | Adjusted EBIT % | (2.2) | 2.1 | |
| 1,897 | 1,047 | 740 | | New contracts | 3,566 | 4,085 | |

Backlog at December 31, 2018: €6,323 million, of which €2,808 million to be realised in 2019.

- Adjusted revenues for 2018 amounted to €3,769 million, down 10.3% compared to 2017, due mainly to lower volumes recorded in the Middle and Far East, partly offset by greater volumes recorded in Central/South America and in the Caspian Sea.

- Adjusted EBITDA for 2018 amounted to €118 million, compared to a loss of €21 million in 2017, which had been penalised by the deterioration of a project recorded in the Floater Business line. Adjusted EBITDA does not include the loss from 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.

[4] *Adjusted revenues do not include write-downs in working capital of €61 million, resulting for the periodic legal monitoring of a dispute relating to a long-standing judgment on a completed project.*

## Offshore Drilling

(million euro)

| Q4 2017 | Q3 2018 | Q4 2018 | Q4 2018 vs Q4 2017 (%) | | Year 2017 | Year 2018 | 2018 vs 2017 (%) |
|---|---|---|---|---|---|---|---|
| 137 | 115 | 129 | (5.8) | Revenues | 613 | 465 | (24.1) |
| (56) | (64) | (61) | 8.9 | Expenses | (292) | (239) | (18.2) |
| 81 | 51 | 68 | (16) | Adjusted EBITDA | 321 | 226 | (29.6) |
| (31) | (23) | (30) | (3.2) | Depreciation | (122) | (106) | (13.1) |
| 50 | 28 | 38 | (24) | Adjusted operating profit | 199 | 120 | (39.7) |
| 59.1 | 44.3 | 52.7 | | Adjusted EBITDA % | 52.4 | 48.6 | |
| 36.5 | 24.3 | 29.5 | | Adjusted EBIT % | 32.5 | 25.8 | |
| 48 | 29 | 146 | | New contracts | 303 | 234 | |

Backlog at December 31, 2018: €716 million, of which €347 million to be realised in 2019.

- Revenues for 2018 amounted to €465 million, representing a 24.1% decrease compared to 2017, mainly attributable to the semi-submersible rigs Scarabeo 5 and Scarabeo 8 having been idle for 12 and 5 months respectively in 2018; this decrease was partly offset by increased revenues from the full-scale operations of the jack-up Perro Negro 8 and the semi-submersible rig Scarabeo 9, which had been undergoing class reinstatement works in the first quarter 2017.

- Adjusted EBITDA for 2018 amounted to €226 million, with a margin on revenues of 48.6%, compared to €321 million in 2017, with a margin on revenues of 52.4%, a decrease of almost 4%. Margins held despite a considerable reduction in activities; this is largely due to the implementation of significant cost optimisation measures.

Vessel utilisation in 2018 and the impact of programmed maintenance and idle days in 2019 are as follows:

| *Vessel* | *2018* | | | *2019* |
|---|---|---|---|---|
| | *Under contract* | *Non-operating* | | *Non-operating* |
| | *(days)* | | | *(days)* |
| Semi-submersible rig Scarabeo 5 | | 365 | (b) | 365 (b) |
| Semi-submersible rig Scarabeo 7 | 365 | | | 214 (b) |
| Semi-submersible rig Scarabeo 8 | 222 | 143 | (b) | |
| Semi-submersible rig Scarabeo 9 | 365 | | | 106 (b) |
| Drillship Saipem 10000 | 365 | | | |
| Drillship Saipem 12000 | 180 | 185 | (a+b) | 107 (a) |
| Jack up Perro Negro 2 | | 365 | (b) | 365 (b) |
| Jack up Perro Negro 4 | 365 | | | |
| Jack up Perro Negro 5 | 365 | | | 80 (a) |
| Jack up Perro Negro 7 | 261 | 104 | (a) | |
| Jack up Perro Negro 8 | 365 | | | |
| Tender Assisted Drilling Barge | 365 | | | 90 (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)

| Q4 2017 | Q3 2018 | Q4 2018 | Q4 2018 vs Q4 2017 (%) | | Year 2017 | Year 2018 | 2018 vs 2017 (%) |
|---|---|---|---|---|---|---|---|
| 124 | 124 | 131 | 5.6 | Revenues | 490 | 501 | 2.2 |
| (97) | (91) | (95) | (2.1) | Expenses | (381) | (366) | (3.9) |
| 27 | 33 | 36 | 33.3 | Adjusted EBITDA | 109 | 135 | 23.9 |
| (34) | (30) | (30) | (11.8) | Depreciation | (133) | (117) | (12.0) |
| (7) | 3 | 6 | ns | Adjusted operating profit | (24) | 18 | ns |
| 21.8 | 26.6 | 27.5 | | Adjusted EBITDA % | 22.2 | 26.9 | |
| (5.6) | 2.4 | 4.6 | | Adjusted EBIT % | (4.9) | 3.6 | |
| 63 | 18 | 171 | | New contracts | 126 | 245 | |

Backlog at December 31, 2018: €599 million, of which €354 million to be realised in 2019.

- Revenues for 2018 amounted to €501 million in line with those for 2017.

- Adjusted EBITDA for 2018 amounted to €135 million, equal to 26,9% of revenues, an increase compared to €109 million, equal to 22.2% of revenues in 2017, mainly due to cost optimisation measures implemented in South America and recovery of efficiency in the Middle East.

Average utilisation of rigs in 2018 was 65.3% (58% in 2017). As of December 31, 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, 2 in Argentina, 2 in Kazakhstan, 2 in Kuwait, 1 in Colombia, 1 in the UAE, 1 in Italy, 1 in Morocco and 1 in Romania.
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 | December 31, 2018 |
|---|---|---|
| Net tangible assets | 4,581 | 4,326 |
| Intangible assets | 753 | 702 |
| | 5,334 | 5,028 |
| Investments | 141 | 78 |
| **Non-current assets** | **5,475** | **5,106** |
| **Net current assets** | **571 *** | **295** |
| **Provision for employee benefits** | **(199)** | **(208)** |
| **Assets available for disposal** | **-** | **2** |
| **CAPITAL EMPLOYED, NET** | **5,847** | **5,195** |
| **Shareholder's equity** | **4,510 *** | **3,962** |
| **Non-controlling interests** | **41** | **74** |
| **Net debt** | **1,296** | **1,159** |
| **FUNDING** | **5,847** | **5,195** |
| **Leverage (net borrowings/shareholders' equity including minority interest)** | **0.28** | **0.29** |
| **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)

| Q4 2017 | Q3 2018 | Q4 2018 | | Year 2017 | Year 2018 |
|---|---|---|---|---|---|
| 2,126 | 2,259 | 2,469 | Net sales from operations | 8,999 | 8,526 |
| 18 | - | 3 | Other income and revenues | 21 | 4 |
| (1,580) | (1,662) | (1,787) | Purchases, services and other costs | (6,505) | (6,103) |
| (53) | 1 | (61) | Net reversals (impairments) of trade and other receivables | (35) | (57) |
| (386) | (366) | (418) | Payroll and related costs | (1,618) | (1,522) |
| **125** | **232** | **206** | **GROSS OPERATING PROFIT (LOSS)** | **862** | **848** |
| (256) | (115) | (212) | Depreciation, amortisation and impairment | (736) | (811) |
| **(131)** | **117** | **(6)** | **OPERATING PROFIT (LOSS)** | **126** | **37** |
| (53) | (43) | (42) | Finance expense | (223) | (165) |
| (11) | (26) | (13) | Income (loss) from investments | (9) | (88) |
| **(195)** | **48** | **(61)** | **PROFIT (LOSS) BEFORE TAXES** | **(106)** | (216) |
| (66) | (63) | (36) | Income taxes | (201) | (194) |
| **(261)** | **(15)** | **(97)** | **PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS** | **(307)** | **(410)** |
| (10) | (19) | (18) | Net profit (loss) attributable to non-controlling interests | (21) | (62) |
| **(271)** | **(34)** | **(115)** | **NET PROFIT (LOSS)** | **(328)** | **(472)** |
| **(15)** | **81** | **97** | **CASH FLOW (net result + depreciation and amortisation)** | **408** | **339** |

## CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

| Q4 2017 | Q3 2018 | Q4 2018 | | Year 2017 | Year 2018 |
|---|---|---|---|---|---|
| 2,126 | 2,259 | 2,469 | Net sales from operations | 8,999 | 8,526 |
| (2,099) | (2,007) | (2,314) | Production costs | (8,291) | (7,898) |
| (64) | (50) | (63) | Idle costs | (221) | (219) |
| (35) | (31) | (42) | Selling expenses | (130) | (145) |
| (12) | (7) | (14) | Research and development expenses | (31) | (33) |
| (7) | (3) | 1 | Other operating income (expenses), net | (18) | (18) |
| **(91)** | **161** | **37** | **CONTRIBUTION FROM OPERATIONS** | **308** | **213** |
| (40) | (44) | (43) | General and administrative expenses | (182) | (176) |
| **(131)** | **117** | **(6)** | **OPERATING PROFIT (LOSS)** | **126** | **37** |
| (53) | (43) | (42) | Finance expense | (223) | (165) |
| (11) | (26) | (13) | Income (loss) from investments | (9) | (88) |
| **(195)** | 48 | **(61)** | **PROFIT (LOSS) BEFORE TAXES** | **(106)** | (216) |
| (66) | (63) | (36) | Income taxes | (201) | (194) |
| **(261)** | **(15)** | **(97)** | **PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS** | **(307)** | **(410)** |
| (10) | (19) | (18) | Net profit (loss) attributable to non-controlling interests | (21) | (62) |
| **(271)** | **(34)** | **(115)** | **NET PROFIT (LOSS)** | **(328)** | **(472)** |
| **(15)** | **81** | **97** | **CASH FLOW (net result + depreciation and amortisation)** | **408** | **339** |

## RECLASSIFIED CASH FLOW STATEMENT

(million euro)

| Q4 2017 | Q3 2018 | Q4 2018 | | Year 2017 | Year 2018 |
|---|---|---|---|---|---|
| (271) | (34) | (115) | Net profit (loss) for the period | (328) | (472) |
| 10 | 19 | 18 | Non-controlling interests | 21 | 62 |
| | | | *Adjustments to reconcile cash generated from operating profit (loss) before changes in working capital:* | | |
| 329 | 95 | 256 | Depreciation, amortisation and other non-monetary items | 806 | 879 |
| 83 | 48 | 136 | Changes in working capital related to operations | (39) | 242 |
| **151** | **128** | **295** | **Net cash flow from operations** | **460** | **711** |
| (64) | (52) | (120) | Capital expenditure | (262) | (485) |
| (2) | (24) | (3) | Investments and purchase of consolidated subsidiaries and businesses | (25) | (27) |
| 9 | - | 1 | Disposals | 17 | 1 |
| **94** | **52** | **173** | **Free cash flow** | **190** | **200** |
| - | - | - | Buy-back of treasury shares/Exercise of stock options | (27) | - |
| - | - | - | Share capital increase net of expenses | (2) | - |
| - | - | (64) | Cash flow from capital and reserves | - | (79) |
| (35) | 3 | 2 | Exchange differences on net borrowings and other changes | (7) | 16 |
| **59** | **55** | **111** | **Change in net borrowings** | **154** | **137** |
| | | | | | |
| **1,355** | **1,325** | **1,270** | **Net borrowings at beginning of period** | **1,450** | **1,296** |
| **1,296** | **1,270** | **1,159** | **Net borrowings at end of period** | **1,296** | **1,159** |

Summary of the effects deriving from the application of IFRS 9 and IFRS 15:

Reclassified Consolidated Balance Sheet

| | December 31, 2017 published | Effect of IFRS9 application | Effect of IFRS15 application | January 1 , 2018 |
|---|---|---|---|---|
| Net tangible assets | 4,581 | | | 4,581 |
| Intangible assets | 753 | | | 753 |
| | 5,334 | | | 5,334 |
| Investments | 141 | | | 141 |
| **Non-current assets** | **5,475** | | | **5,475** |
| **Net current assets** | **619** | **(28)** | **(20)** | **571** |
| **Provision for employee benefits** | **(199)** | | | **(199)** |
| **CAPITAL EMPLOYED, NET** | **5,895** | **(28)** | **(20)** | **5,847** |
| **Shareholder's equity** | **4,558** | **(28)** | **(20)** | **4,510** |
| **Non-controlling interests** | **41** | | | **41** |
| **Net debt** | **1,296** | | | **1,296** |
| **FUNDING** | **5,895** | **(28)** | **(20)** | **5,847** |
| **Leverage (net borrowings/shareholders' equity including minority interest)** | **0.28** | | | **0.28** |
| **SHARES ISSUED AND OUTSTANDING** | **1,010,977,439** | | | **1,010,977,439** |