Saipem: results for the third quarter and the first nine months of 2019

San Donato Milanese, October 24, 2019 - The Board of Directors of Saipem S.p.A., chaired by Francesco Caio, yesterday approved the Saipem Group's Interim Report at September 30, 2019 (not subject to audit).

Highlights

- **New contracts:** significant new contract awards, with value in excess of €13.9 billion at September 30, 2019; this amount rises to €16.2 billion when new contracts awarded to non-consolidated companies are included
- **Net debt pre IFRS16:** the improvement compared to 2018 year end continued in the third quarter. 2019 guidance is confirmed with net debt forecast to end below €800 million
- **Net profit:** the positive trend, with a strong improvement in the first six months of 2019, confirms a reversal compared to the first nine months of 2018, which recorded a loss of €357 million
- **Offshore Engineering & Construction Division:** good operational performance in the first nine months of 2019 and significant visibility of new commercial opportunities in the coming quarters
- **Onshore Engineering & Construction Division:** the turnaround continued successfully resulting in margin improvement
- **Offshore and Onshore Drilling:** increasing volumes and margins in line with the market context

Results for the first nine months of 2019[1]:

- Revenues: €6,748 million (€6,057 million in the first nine months of 2018), of which €2,229 million in the third quarter
- EBITDA: €866 million (€642 million in the first nine months of 2018), of which €292 million in the third quarter
- Adjusted EBITDA: €899 million (€760 million in the first nine months of 2018), of which €293 million in the third quarter
- Operating profit (EBIT): €402 million (€43 million in the first nine months of 2018), of which €140 million in the third quarter
- Adjusted operating profit (EBIT): €449 million (€417 million in the first nine months of 2018), of which €141 million in the third quarter
- Net profit: €44 million (loss of €357 million in the first nine months of 2018), of which €30 million in the third quarter
- Adjusted net profit: €91 million (€17 million in the first nine months of 2018), of which 31 million in the third quarter
- Special Items – results 2019: write-downs and re-organization expenses of €47 million (write-downs and re-organization expenses of €374 million in the first nine months of 2018), of which €1 million in the third quarter
- Capital expenditure: €229 million (€365 million in the first nine months of 2018), of which €94 million in the third quarter
- Net debt inclusive of IFRS16 lease liabilities at September 30, 2019: €1,421 million (€1,706 million at January 1, 2019)

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[1] *2019 data include the impact of IFRS 16, details of which are illustrated below*

- Net debt pre-IFRS 16 at September 30, 2019: €927 million (€1,159 million at December 31, 2018)
- New contracts: €13,943 million (€6,121 million in the first nine months of 2018); this amount rises to €16.2 billion when new contracts awarded to non-consolidated companies are included
- Backlog: €19,814 million (€12,619 million at December 31, 2018)
- Backlog inclusive of non-consolidated companies: €23,781 million (€14,463 million at December 31, 2018)

Stefano Cao, Saipem CEO, commented: *"I am particularly satisfied with the positive trend in all indicators resulting from the comprehensive and effective economic and financial rebalancing work carried out over the last few years. As demonstrated by the record-breaking award of new contracts in the first nine months of the year shows, the company holds a leadership position in the market, particularly in those segments most closely linked with the energy transition. The forthcoming challenges will see us engaged in the improvement of our positioning in the specific market segments and in the identification and pursuit of strategies that will allow us to consolidate and confirm our leadership"*.

Financial highlights

(million euro)

Q3 2018	Q2 2019*	Q3 2019*	Q3 2019 vs Q3 2018 (%)		First nine months 2018	First nine months 2019*	Sept.19 vs Sept.18 (%)
2,259	2,363	2,229	(1.3)	Revenues	6,057	6,748	11.4
232	308	292	25.9	EBITDA	642	866	34.9
277	332	293	5.8	Adjusted EBITDA	760	899	18.3
117	144	140	19.7	Operating profit (EBIT)	43	402	n.s.
162	182	141	(13)	Adjusted operating profit (EBIT)	417	449	7.7
(34)	(7)	30	n.s.	Net profit	(357)	44	n.s.
11	31	31	n.s.	Adjusted net profit	17	91	n.s.
52	207	120	n.s.	Free cash flow	27	379	n.s.
1,270	1,043	927	(27.0)	Net debt pre IFRS16 lease liabilities	1,270	927	(27.0)
-	1,574	1,442	n.s.	Net debt post IFRS16 lease liabilities	-	1,421	n.s.
52	61	94	80.8	Capital expenditure	365	229	(37.3)
2,135	7,020	4,406	n.s.	New contracts	6,121	13,943	n.s.

(*) Data for the first nine months of 2019 include the impact of the new accounting standard IFRS 16, as follows:

- *removal of lease rates of €114 million, of which €39 million in the third quarter and €39 million in the second quarter*
- *increase in depreciation of €104 million, of which €37 million in the third quarter and €34 million in the second quarter*
- *increase in financial expenses of €19 million, of which €6 million in the third quarter and €6 million in the second quarter*
- *consequent positive impact on EBIT of €10 million (of which €2 million in the third quarter and €5 million in the second quarter) and on EBITDA of €114 million (of which €39 in the third quarter and €39 in the second quarter)*

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.

Reorganization: impact on reporting

The results of the XSIGHT division are included in the Onshore Engineering & Construction division, as they are still immaterial from a numerical standpoint, and therefore not reported distinctly to the market.

Business update for 2019

Revenues amounted to €6,748 million, up by 11.4% on 2018, due to volume increases recorded by all divisions, and particularly by the Onshore and Offshore Engineering & Construction divisions.

Adjusted EBITDA amounted to €899 million, €785 million net of the effects of IFRS 16 application, (€760 million in 2018): this increase is attributable to good operational performance in the Onshore Engineering & Construction division.

Adjusted net profit amounted to €91 million (€17 million in 2018), alongside the positive change registered in the adjusted operating income, of €32 million, a slight improvement in finance expenses was added together with a substantial reduction of taxes, partly offset by the increase of non-controlling interests.

Net profit in the first nine months of 2019 amounted to €44 million (loss of €357 million in the first nine months of 2018), and, unlike adjusted net profit, was reduced by the following special items:

- write-downs and accruals of €21 million related to a jack up; the asset has been partially written down because it will be replaced by a third-party leased asset from March 2020 under the contract currently in the backlog;
- reorganization expenses of €26 million.

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

- write-downs of tangible and intangible assets following the impairment test of €256 million;
- write downs and accruals, totalling €89 million, relating to some litigations pending for a long time on projects already completed, resulting from the periodic activity of legal monitoring of the overall litigations;
- reorganization expenses of €29 million.

EBIT adjusted - EBIT reported reconciliation

(million euro)

	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Total	
Adjusted EBIT	**264**	**104**	**72**	**9**	**449**	
Reorganization expenses	6	12	4	4	26	(a)
Impairment/write-downs of tangible assets			14		14	
Write downs and accruals			7		7	(a)
Total special items	(6)	(12)	(25)	(4)	(47)	
Reported EBIT	**258**	**92**	**47**	**5**	**402**	

a) Special items affecting EBITDA amount to €33 million, i.e. the reconciliation of adjusted EBITDA of €899 million versus reported EBITDA of €866 million

Capital expenditure in the first nine months of 2019, mainly relating to the maintenance and upgrading of the existing asset base, amounted to €229 million (€365 million in the first nine months of 2018), broken down as follows:

- €105 million in Offshore Engineering & Construction;
- €10 million in Onshore Engineering & Construction;
- €66 million in Offshore Drilling;
- €48 million in Onshore Drilling.

Net debt at September 30, 2019 before the effects of IFRS 16 lease liabilities amounted to €927 million, a decrease of €232 million on December 31, 2018 (€1,159 million). Net debt inclusive of IFRS 16 lease liabilities (€494 million) amounted to €1,421 million.

Backlog

In the first nine months of 2019, Saipem was awarded new contracts amounting to €13,943 million (€6,121 million in the first nine months of 2018). The backlog at September 30, 2019 amounted to €19,814 million (€4,756 million in Offshore Engineering & Construction, €13,745 million in Onshore Engineering & Construction, €821 million in Offshore Drilling and €492 million in Onshore Drilling), of which €1,912 million is to be realized in 2019.

The backlog inclusive of non-consolidated companies at September 30, 2019 amounted to €23,781 million (€4,756 million in Offshore Engineering & Construction, €17,712 million in Onshore Engineering & Construction, €821 million in Offshore Drilling and €492 million in Onshore Drilling), of which €2,028 million is to be realized in 2019.

Management outlook for 2019

High volatility in the oil price and the persistently low level of new investments by the oil companies will continue to characterize the last part of this year. In the first nine months, some important Final Investment Decisions (FIDs) in the gas segment contributed significantly to the high level of contract awards.

The backlog at the end of September 2019, combined with forecasts for current commercial tenders, allows us to forecast revenues of around €9 billion for 2019, with adjusted EBITDA margin above 10%. Capital expenditure is estimated at approximately €450 million, down from the €500 million forecast in the first half results, while net debt pre-IFRS 16 at the end of 2019 is forecasted below €800 million.

Additional information

The Board of Directors, at the proposal of the Compensation and Nomination Committee, voted to carry out the 2019 implementation of the 2019-2021 Long-Term Incentive Plan ("Plan") approved by the Shareholders' Meeting on April 30, 2019. The Board of Directors set at 7,934,080 the total number of treasury shares required to implement the Plan.

The Board of Directors, and the CEO on its behalf, shall launch the buy-back programme to service the Plan, as per the terms and conditions granted by the Shareholders' Meeting on April 30, 2019: shares, not exceeding the maximum sum of €60,000,000, shall be bought back within 18 months from the date of the resolution of the Shareholders' Meeting.

The Company shall notify the market of the launch of the treasury share buy-back programme.

As of today, the Company holds 14,731,340 treasury shares.

Recently issued accounting principles:

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 recognize 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.

Briefly, the new provisions of IFRS 16 provide for the lessee the accounting of:

- in the balance sheet: right-of-use assets and financial lease liabilities representing the obligation to make lease payments as provided for in the contract;
- in the income statement: depreciation of right-of-use assets and interest expense accrued on lease liabilities; the income statement also includes payments for short-term and low-value leasing contracts and variable payments linked to the use of assets, not included in the determination of the right-of-use/lease liability, as allowed by the principle;
- the following effects occur in the cash flow statement: (a) the cash flow from operations is no longer affected by lease payments, instead interest expense paid in connection with the reimbursement of lease liabilities is recognized; (b) net cash used in investing activities no longer includes the cash outflows related to lease payments capitalized as part of tangible assets in progress, instead capitalized interest expense paid in connection with the reimbursement of lease liabilities is recognized; and (c) net cash used in financing activities recognizes cash payments for the principal portion of the lease liability.

For the first application of IFRS 16, Saipem:

- applied the modified retrospective approach, recognizing the effects connected with the retrospective redetermination of shareholders' equity at January 1, 2019, without restating previous years;
- made use of the practical expedient that allows to forego the application IFRS 16 to all asset leases whose residual duration as at January 1, 2019 is less than 12 months;
- considered as leases all contracts that can be classified as such on the basis of IFRS 16, without applying the "grandfathering" expedient, i.e. the possibility not to review contracts in force at January 1, 2019, and applying IFRS 16 only to contracts previously identified as leases on the basis of IAS 17 and IFRIC 4;
- recognized a right-of-use asset for an amount corresponding to its lease liability, rectified to take into account of accrued income from advances, and without considering the initial direct costs incurred in the years prior to January 1, 2019;
- the renewal or early termination options, if any, were analysed to determine the total duration of the contract.

The application of IFRS 16 had significant impacts on the balance sheet, income statement and Group cash flow, as follows:

(i) an increase in fixed assets due to right-of-use of assets;

(ii) an impact on net debt, due to an increase in financial liabilities on lease debt;

(iii) an increase in EBITDA, and to a lesser extent in EBIT, due to the removal of lease rates currently recorded under operating costs, and a simultaneous increase in depreciation;

(iv) a marginal change in net profit due to the accounting of financial expenses;

(v) an improvement in cash flow from operations, which no longer includes lease rates, but only the interest expended on lease liabilities;

(vi) a worsening in net cash flow from financing activities which includes the disbursements related to the repayment of the lease liability.

For further details please refer to the section “Effects from the application of IFRS 16: Reclassified Consolidated Balance Sheet”.

Impact of IFRS 16 on the first nine months of 2019:

- increase in EBIT of € 10 million;
- increase in EBITDA of €114 million;
- decrease in net profit of €9 million.

In detail:

- removal of lease rates of €114 million;
- increase in depreciation of €104 million;
- increase in financial expenses of €19 million.

Division	*Increase in depreciation*			*Removal of lease rates*			*Increase in EBIT*			*Increase in EBITDA*		
	1H	*Q3*	*Nine months*	*1H*	*Q3*	*Nine months*	*1H*	*Q3*	*Nine months*	*1H*	*Q3*	*Nine months*
Offshore E&C	48	26	74	54	27	81	6	1	7	54	27	81
Onshore E&C	15	10	25	17	11	28	2	1	3	17	11	28
Offshore Drilling	2	-	2	2	-	2	-	-	-	2	-	2
Onshore Drilling	2	1	3	2	1	3	-	-	-	2	1	3
Total	**67**	**37**	**104**	**75**	**39**	**114**	**8**	**2**	**10**	**75**	**39**	**114**

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This press release should be read in conjunction with the condensed Interim Consolidated Financial Statements at June 30, 2019 of Saipem S.p.A. and the Statutory and Consolidated Financial Statements at December 31, 2018, which are already available on the Company's website (www.saipem.com), under the section "Investor Relations/Quarterly results and documentation/Reports archive".

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Saipem's Chief Financial Officer, Mr. Stefano Cavacini, 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 the CEO Stefano Cao and the CFO Stefano Cavacini today at 9.00 am CEST (8.00 am BST, 3.00 am EDT, 00.00 am PDT). The conference call can be followed on Saipem's website (www.saipem.com) by clicking on "Third Quarter 2019 Results" banner on the home page, or at the following URL: https://edge.media-server.com/mmc/p/jwh39f7x

During the conference call and webcast, a presentation will be shown which will be available for download from the webcast window and from the "Investor Relations / Quarterly results and documentation / Reports archive" section on Saipem's website (www.saipem.com) around 30 minutes before the scheduled start time. This presentation will also be available for download from the authorized storage device "eMarketSTORAGE" (www.emarketstorage.com) and Borsa Italiana S.p.A (www.borsaitaliana.it).

Saipem is 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 customer requirements. Listed on the Milan Stock Exchange, it is present in over 70 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)

Q3 2018	Q2 2019*	Q3 2019*	Q3 2019 vs Q3 2018 (%)		First nine months 2018	First nine months 2019*	Sept.19 vs Sept.18 (%)
1,062	1,076	998	(6.0)	Revenues	2,812	2,988	6.3
(899)	(891)	(836)	(7.0)	Expenses	(2,390)	(2,498)	4.5
163	185	162	(0.6)	Adjusted EBITDA	422	490	16.1
(51)	(78)	(78)	52.9	Depreciation	(150)	(226)	50.7
112	107	84	(25.0)	Adjusted operating profit	272	264	(2.9)
15.3	17.2	16.2		Adjusted EBITDA %	15.0	16.4	
10.5	9.9	8.4		Adjusted EBIT %	9.7	8.8	
1,041	531	661		New contracts	2,614	2,763	

(*) Data for the first nine months of 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €81 million, of which €27 million in the third quarter and €29 million in the second quarter,
- increase in depreciation of €74 million, of which €26 million in the third quarter and €26 million in the second quarter

Backlog at September 30, 2019: €4,756 million, of which €872 million is to be realized in 2019.

- Revenues for the first nine months of 2019 amounted to €2,988 million, up by 6.3% compared to the first nine months of 2018, mainly attributable to greater volumes recorded in the Middle East, North Africa and Latin America.

- Adjusted EBITDA for the first nine months of 2019 amounted to €490 million, equal to 16.4% of revenues, €409 million net of the effects of the IFRS 16 application, equal to 13.7% of revenues, compared to €422 million, equal to 15% of revenues in the first nine months of 2018.

- The most significant awards in the third quarter of 2019 relate to three new contracts for BP, in consortium with Boshelf LLC and STAR GULF FZCO, for the development of the gas and oil field Azeri-Chirag-Gunashli (ACG) off the coast of Azerbaijan.

Onshore Engineering & Construction

(million euro)

Q3 2018	Q2 2019*	Q3 2019*	Q3 2019 vs Q3 2018 (%)		First nine months 2018	First nine months 2019*	Sept.19 vs Sept.18 (%)
958	1,032	974	1.7	Adjusted revenues[2]	2,580	2,974	15.3
(928)	(965)	(920)	(0.9)	Expenses	(2,499)	(2,811)	12.5
30	67	54	80	Adjusted EBITDA	81	163	n.s.
(11)	(18)	(23)	n.s.	Depreciation	(30)	(59)	96.7
19	49	31	63.2	Adjusted operating profit	51	104	n.s.
3.1	6.5	5.5		Adjusted EBITDA %	3.1	5.5	
2.0	4.7	3.2		Adjusted EBIT %	2.0	3.5	
1,047	6,283	3,575		New contracts	3,345	10,396	

(*) Data for the first nine months of 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €28 million, of which €11 million in the third quarter and €9 million in the second quarter,
- increase in depreciation of €25 million, of which €10 million in the third quarter and €7 million in the second quarter

Backlog at September 30, 2019: €13,745 million, of which €784 million is to be realized in 2019.

- Revenues for the first nine months of 2019 amounted to €2,974 million, up 15.3% compared to the first nine months of 2018, due mainly to greater volumes recorded in the Middle and Far East, the Caspian Sea and Sub-Saharan Africa.

- Adjusted EBITDA for the first nine months of 2019 amounted to €163 million, equal to 5.5% of revenues, €135 million net of the effects of IFRS 16 application, equal to 4.5% of revenues, compared to €81 million in the first nine months of 2018, equal to 3.1% of revenues. Adjusted EBITDA does not include the worsening of a contract executed by a jointly controlled company, which is posted under the item "Income (loss) from investments" and represents the item almost in its entirety.

- The most significant awards in the third quarter of 2019 relate to two new contracts for Saudi Arabian Oil Company, encompassing engineering, construction and installation for the development of onshore facilities of the Berri and Marjan gas fields, both located in the Arabian Gulf.

[2] Adjusted revenues for the first nine months of 2019 do not include write-downs in working capital of €41 million.

Offshore Drilling

(million euro)

Q3 2018	Q2 2019*	Q3 2019*	Q3 2019 vs Q3 2018 (%)		First nine months 2018	First nine months 2019*	Sept.19 vs Sept.18 (%)
115	116	121	5.2	Revenues	336	377	12.2
(64)	(70)	(78)	21.9	Expenses	(178)	(232)	30.3
51	46	43	(15.7)	Adjusted EBITDA	158	145	(8.2)
(23)	(23)	(20)	(13.0)	Depreciation	(76)	(73)	(3.9)
28	23	23	(17.9)	Adjusted operating profit	82	72	(12.2)
44.3	39.7	35.5		Adjusted EBITDA %	47.0	38.5	
24.3	19.8	19.0		Adjusted EBIT %	24.4	19.1	
29	140	128		New contracts	88	482	

(*) Data for the first nine months of 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €2 million, of which €0 million in the third quarter and €0 million in the second quarter,
- increase in depreciation of €2 million, of which €0 million in the third quarter and €0 million in the second quarter

Backlog at September 30, 2019: €821 million, of which €159 million is to be realized in 2019.

- Revenues for the first nine months of 2019 amounted to €377 million, a 12.2% increase compared to the first nine months of 2018, mainly attributable to the semi-submersible rig Scarabeo 8 and the drillship Saipem 12000 which have been partially idle in the first nine months of 2018, and to the contribution of the jack-up Pioneer leased from third parties since January 2019; the increase was partly offset by reduced operations of the Tender Assisted Barge and the semi-submersible rig Scarabeo 9.

- Adjusted EBITDA for the first nine months of 2019 amounted to €145 million, equal to 38.5% of revenues, €143 million net of the effects of IFRS 16 application, equal to 37.9% of revenues, compared to €158 million in the first nine months of 2018, resulting in a margin on revenues of 47%.

- The most significant awards in the third quarter of 2019 relate to a new four-year contract for ADNOC in the United Arab Emirates, continuing ongoing operations utilizing the jack up Perro Negro 8.

Vessel utilization in the first nine months of 2019 and the impact of programmed maintenance and idle days in 2019 are as follows:

Vessel	*First nine months of 2019*		*2019*
	Under contract	*Non-operating*	*Non-operating*
	(days)		*(days)*
Semi-submersible rig Scarabeo 5	26	247 (a+b)	247 (a+b)
Semi-submersible rig Scarabeo 7	273	-	92 (b)
Semi-submersible rig Scarabeo 8	273	-	34 (b)
Semi-submersible rig Scarabeo 9	180	93 (b)	93 (b)
Drillship Saipem 10000	273	-	-
Drillship Saipem 12000	187	86 (a)	86 (a)
Jack up Perro Negro 2	-	273 (b)	365 (b)
Jack up Perro Negro 4	273	-	-
Jack up Perro Negro 5	210	63 (a)	63 (a)
Jack up Perro Negro 7	273	-	-
Jack up Perro Negro 8	273	-	-
Jack up Pioneer Jindal (*)	253	-	-
Jack up Sea Lion 7 (**)	-	59 (a)	95 (a)
Tender Assisted Drilling Barge	-	273 (b)	365 (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

(*) = the vessel has been contracted to Saipem since January 2019
(**) = the vessel has been contracted to Saipem since August 2019

Onshore Drilling:

(million euro)

Q3 2018	Q2 2019*	Q3 2019*	Q3 2019 vs Q3 2018 (%)		First nine months 2018	First nine months 2019*	Sept.19 vs Sept.18 (%)
124	139	136	9.7	Revenues	370	409	10.5
(91)	(105)	(102)	12.1	Expenses	(271)	(308)	13.7
33	34	34	3.0	Adjusted EBITDA	99	101	2.0
(30)	(31)	(31)	3.3	Depreciation	(87)	(92)	5.7
3	3	3	0.0	Adjusted operating profit	12	9	(25.0)
26.6	24.5	25.0		Adjusted EBITDA %	26.8	24.7	
2.4	2.2	2.2		Adjusted EBIT %	3.2	2.2	
18	66	42		New contracts	74	302	

(*) Data for the first nine months of 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €3 million, of which €1 million in the third quarter and €1 million in the second quarter,
- increase in depreciation of €3 million, of which €1 million in the third quarter and €1 million in the second quarter

Backlog at September 30, 2019: €492 million, of which €97 million is to be realized in 2019.

- Revenues for the first nine months of 2019 amounted to €409 million, a 10.5% increase compared to the first nine months of 2018, thanks to greater volumes recorded in Saudi Arabia and South America, partially offset by reduced activities in Kazakhstan.

- Adjusted EBITDA for the first nine months of 2019 amounted to €101 million, equal to 24.7% of revenues, €98 million net of the effects of IFRS 16 application, in line, in absolute value, with the first nine months of 2018.

Average utilization of rigs in the first nine months of 2019 was 67.7% (65.5% in the first nine months of 2018). As of September 30, 2019, the Company owned 82 rigs, located as follows: 28 in Saudi Arabia, 18 in Venezuela, 17 in Peru, 4 in Bolivia, 2 in Ecuador, 3 in Argentina, 2 in Kazakhstan, 2 in Kuwait, 2 in Colombia, 1 in the UAE, 1 in Italy, 1 in Morocco and 1 in Romania.
In addition, 2 third party rigs were utilized in Peru and 1 third-party rig in Congo.
Two fully written down rigs idle in Ecuador were scrapped during the third quarter.
Furthermore, a new rig is under construction and is due to operate in Argentina on a five-year contract already in the backlog.

Attachments:

- reclassified consolidated balance sheet, reclassified consolidated income statements by nature and function of expenses and reclassified statement of cash flow;
- Summary of the effects deriving from the application of IFRS 16: Reclassified Consolidated Balance Sheet.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

		January 1, 2019 restated	September 30, 2019
Net tangible assets		4,326	4,223
Right-of-use assets	*	550	480
Intangible assets		702	698
		5,578	5,401
Investments		78	86
Non-current assets	*	**5,656**	**5,487**
Net current assets		**292**	**212**
Provision for employee benefits		**(208)**	**(225)**
Assets available for disposal		**2**	**0**
CAPITAL EMPLOYED, NET		**5,742**	**5,474**
Shareholder's equity		**3,962**	**3,984**
Non-controlling interests		**74**	**69**
Net debt pre-IFRS 16		1,159	927
Financial leasing liabilities	*	547	494
Net debt		**1,706**	**1,421**
FUNDING		**5,742**	**5,474**
Leverage pre IFRS16 (net debt/shareholders' equity including minority interest)		**0.29**	**0.23**
Leverage post IFRS16 (net debt/shareholders' equity including minority interest)		**0.42**	**0.35**
SHARES ISSUED AND OUTSTANDING		**1,010,977,439**	**1,010,977,439**

* data restated following the coming into force of new accounting standard IFRS 16.

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(million euro)

Q3 2018	Q2 2019	Q3 2019		First nine months 2018	First nine months 2019
2,259	2,363	2,229	Net sales from operations	6,057	6,748
-	5	2	Other income and revenues	1	8
(1,662)	(1,594)	(1,514)	Purchases, services and other costs	(4,316)	(4,598)
1	(20)	(44)	Net reversals (impairments) of trade and other receivables	4	(66)
(366)	(446)	(381)	Payroll and related costs	(1,104)	(1,226)
232	**308**	**292**	**GROSS OPERATING PROFIT (LOSS)**	**642**	**866**
(115)	(164)	(152)	Depreciation, amortization and impairment	(599)	(464)
117	**144**	**140**	**OPERATING PROFIT (LOSS)**	**43**	**402**
(43)	(47)	(53)	Finance expense	(123)	(154)
(26)	(34)	0	Income (loss) from investments	(75)	(38)
48	**63**	**87**	**PROFIT (LOSS) BEFORE TAXES**	**(155)**	**210**
(63)	(47)	(29)	Income taxes	(158)	(106)
(15)	**16**	**58**	**PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS**	**(313)**	**104**
(19)	(23)	(28)	Net profit (loss) attributable to non-controlling interests	(44)	(60)
(34)	**(7)**	**30**	**NET PROFIT (LOSS)**	**(357)**	**44**
81	**157**	**182**	**CASH FLOW (net result + depreciation and amortization)**	**242**	**508**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

Q3 2018	Q2 2019	Q3 2019		First nine months 2018	First nine months 2019
2,259	2,363	2,229	Net sales from operations	6,057	6,748
(2,007)	(2,081)	(1,942)	Production costs	(5,584)	(5,914)
(50)	(50)	(55)	Idle costs	(156)	(163)
(31)	(38)	(31)	Selling expenses	(103)	(107)
(7)	(8)	(10)	Research and development expenses	(19)	(24)
(3)	4	(8)	Other operating income (expenses), net	(19)	(6)
161	**190**	**183**	**CONTRIBUTION FROM OPERATIONS**	**176**	**534**
(44)	(46)	(43)	General and administrative expenses	(133)	(132)
117	**144**	**140**	**OPERATING PROFIT (LOSS)**	**43**	**402**
(43)	(47)	(53)	Finance expense	(123)	(154)
(26)	(34)	0	Income (loss) from investments	(75)	(38)
48	**63**	**87**	**PROFIT (LOSS) BEFORE TAXES**	**(155)**	**210**
(63)	(47)	(29)	Income taxes	(158)	(106)
(15)	**16**	**58**	**PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS**	**(313)**	**104**
(19)	(23)	(28)	Net profit (loss) attributable to non-controlling interests	(44)	(60)
(34)	**(7)**	**30**	**NET PROFIT (LOSS)**	**(357)**	**44**
81	**157**	**182**	**CASH FLOW (net result + depreciation and amortization)**	**242**	**508**

RECLASSIFIED CASH FLOW STATEMENT

(million euro)

Q3 2018	Q2 2019	Q3 2019		First nine months 2018	First nine months 2019
(34)	(7)	30	Net profit (loss) for the period	(357)	44
19	23	28	Non-controlling interests	44	60
			Adjustments to reconcile cash generated from operating profit (loss) before changes in working capital:		
95	206	124	Depreciation, amortization and other non-monetary items	623	478
48	56	37	Changes in working capital related to operations	106	58
128	**278**	**219**	**Net cash flow from operations**	**416**	**640**
(52)	(61)	(94)	Capital expenditure	(365)	(229)
(24)	(18)	(9)	Investments and purchase of consolidated subsidiaries and businesses	(24)	(44)
-	8	4	Disposals	-	12
52	**207**	**120**	**Free cash flow**	**27**	**379**
-	-	-	Buy-back of treasury shares/Exercise of stock options	-	-
-	-	-	Share capital increase net of expenses	-	-
-	(62)	-	Cash flow from capital and reserves	(15)	(77)
-	(26)	(25)	Repayment of lease liabilities	-	(87)
3	(1)	21	Exchange differences on net debt and other changes	14	17
55	**118**	**116**	**Change in net debt before lease liabilities**	**26**	**232**
-	53	37	**Change in lease liabilities**	-	(494)
55	**171**	**153**	**Change in net debt**	**26**	**(262)**
1,325	**1,745**	**1,574**	**Net debt at beginning of period**	**1,296**	**1,159**
1,270	**1,574**	**1,421**	**Net debt at end of period**	**1,270**	**1,421**

Summary of the effects deriving from the application of IFRS 16:

Reclassified Consolidated Balance Sheet

(million euro)

	December 31, 2018	Impact of restatement	January 1, 2019 restated
Net tangible assets	4,326		4,326
Right-of-use assets		550	550
Intangible assets	702		702
	5,028	550	5,578
Investments	78		78
Non-current assets	**5,106**	550	**5,656**
Net current assets	295	**(3)**	**292**
Provision for employee benefits	**(208)**		**(208)**
Assets available for disposal	**2**		**2**
CAPITAL EMPLOYED, NET	**5,195**	**547**	**5,742**
Shareholder's equity	**3,962**		**3,962**
Non-controlling interests	**74**		**74**
Net debt pre-IFRS 16 lease liabilities	1,159		1,159
Lease liabilities	–	547	547
Net debt	**1,159**	**547**	**1,706**
FUNDING	**5,195**	**547**	**5,742**
Leverage pre IFRS16 (net debt/shareholders' equity including minority interest)	**0.29**		**0.29**
Leverage post IFRS16 (net debt/shareholders' equity including minority interest)	**-**		**0.42**