Saipem: Results for the first half of 2019

San Donato Milanese, July 25, 2019 - The Board of Directors of Saipem S.p.A., chaired by Francesco Caio, yesterday approved the Saipem Group's consolidated Six-Month Report at June 30, 2019[1].

Highlights

- New contracts: considerable award of new contracts, whose value is equal to €9.5 billion at June 30, 2019; this is already increased by approximately €3.2 billion thanks to new contracts awarded after the end of first half of 2019
- Net debt pre IFRS16: improved compared to 2018 yearend financial statements, this allows to revise the 2019 guidance to below €800 million, around €200 million less than the original guidance
- Net profit: even if limited, it is back to profit, with a strong improvement compared to the first half of 2018, which recorded a loss of €323 million
- Offshore Engineering & Construction Division: recorded strong results thanks to good operational performance
- Onshore Engineering & Construction Division: ongoing turnaround supported by the new organizational model has continued
- Offshore and Onshore Drilling: they both show stable EBITDA with volumes on the increase, also thanks to the expansion of the client base, and margins in line with the current market context

Results for the first half of 2019[2]:

- Revenues: €4,519 million (€3,798 million in the first half of 2018), of which €2,363 million in the second quarter
- EBITDA: €574 million (€410 million in the first half of 2018), of which €308 million in the second quarter
- Adjusted EBITDA: €606 million (€483 million in the first half of 2018), of which €332 million in the second quarter
- Operating profit (EBIT): €262 million (a loss of €74 million in the first half of 2018), of which €144 million in the second quarter
- Adjusted operating profit (EBIT): €308 million (€255 million in the first half of 2018), of which €182 million in the second quarter
- Net profit: €14 million (a loss of €323 million in the first half of 2018), a loss of €7 million in the second quarter
- Adjusted net profit: €60 million (€6 million in the first half of 2018), of which €31 million in the second quarter

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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). This report is subject to review by the Company's Statutory Auditors and Independent Auditors*

[2] *2019 data include the impact of IFRS 16, whose details are illustrated in the coming pages*

- Special Items – results 2019: write-downs and re-organization expenses of €46 million, (write-downs and re-organization expenses of €329 million in the first half of 2018), of which €38 million in the second quarter
- Capital expenditure: €135 million (€313 million in the first half of 2018), of which €61 million in the second quarter
- Net debt inclusive of IFRS16 lease liabilities: €1,574 million (€1,706 million at January 1, 2019)
- Net debt pre IFRS 16 at June 30, 2019: €1,043 million (€1,159 million at December 31, 2018)
- New contracts: €9,537 million (€3,986 million in the first half of 2018)
- Backlog: €17,637 million (€12,619 million at December 31, 2018)
- Backlog inclusive of non-consolidated companies: €19,435 million (€14,463 million at December 31, 2018)

Stefano Cao, Saipem CEO, commented: *"I am satisfied with the positive results recorded in the first half of 2019 despite a scenario that does not yet show clear signs of recovery and, in particular, even if limited, with the fact that we are back to generating profit. These results stem also from the profound organizational and management transformation and from our firm strategic stance to anticipate the energy transition. The focus on innovation has allowed us to acquire contracts thanks to our offers of technological solutions, which respect the environment and strive to limit their carbon footprint. The ability to operate in new territories and communities that are less used to an industrial presence will facilitate our operations in Mozambique, a strategic area for the equilibrium of the African continent, and in east-west relations, where we have recently acquired the most economically significant contract in our history. This is a success, which will also offer important opportunities to our supply chain".*

Financial Highlights

(million euro)

Q2 2018	Q1 2019	Q2 2019	Q2 2019 vs Q2 2018 (%)		1H 2018	1H 2019 *	1H 2019 vs 1H 2018 (%)
1,883	2,156	2,363	25.5	Revenues	3,798	4,519	19.0
209	266	308	47.4	EBITDA	410	574	40
269	274	332	23.4	Adjusted EBITDA	483	606	25.5
(161)	118	144	n.s.	Operating profit (EBIT)	(74)	262	n.s.
155	126	182	17.4	Adjusted operating profit (EBIT)	255	308	20.8
(321)	21	(7)	(97.8)	Net profit	(323)	14	n.s.
(5)	29	31	n.s.	Adjusted net profit	6	60	n.s.
(135)	52	207	n.s.	Free cash flow	(25)	259	n.s.
1,325	1,185	1,043	(21.3)	Net debt pre IFRS16 lease liabilities	1,325	1,043	(21.3)
-	1,745	1,574	n.s.	Net debt post IFRS16 lease liabilities	-	1,574	n.s.
281	74	61	(78.3)	Capital expenditure	313	135	(56.9)
2,963	2,517	7,020	n.s.	New contracts	3,986	9,537	n.s.

(*) Data for the first half of 2019 include the impact of the new accounting standard IFRS 16, as follows:
- *removal of lease rates of €75 million, of which €39 million in the second quarter*
- *increase in depreciation of €67 million, of which €34 million in the second quarter*
- *increase in financial expenses of €13 million, of which €6 million in the second quarter*
- *consequent positive impact on EBIT of €8 million (of which €5 million in the second quarter) and on EBITDA of €75 million (of which €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.

South Stream Settlement

On April 18, 2019, the parties successfully completed the negotiations, signing an agreement for the amicable settlement of the arbitration relating to the installation of the South Stream Offshore Pipeline, entered into on March 14, 2014.
The dispute is therefore closed. The results at December 31, 2018 had already taken into account the economic effects of this settlement.

Reorganization: impact on reporting

The results of the XSIGHT division are not reported separately to the market but are included in the Onshore Engineering & Construction division, as these are still immaterial from a numerical standpoint.

Business update for 2019

Revenues amounted to €4,519 million, up by 19% on 2018, due to increases recorded by all divisions, and particularly by the Onshore and Offshore E&C divisions.

Adjusted EBITDA amounted to €606 million, €531 million net of the effects of IFRS 16 application, (€483 million in 2018): this increase is attributable to strong operational performance in both the E&C divisions.

Adjusted net profit amounted to €60 million (€6 million in 2018), an improvement almost in line with the change in the adjusted operating income, €53 million: the deterioration in results from financial expenses as well as third-party interests was largely offset by an improvement in tax management.

Net profit in the first half of 2019 amounted to €14 million (a loss of €323 million in the first half of 2018), and, unlike adjusted net profit, was reduced by the following special items:

- write-downs and accruals for a jack up of €21 million; the asset has been partially written down because it is likely to be replaced for the conclusion of the backlog contract with a third party asset from March 2020;
- reorganization expenses of €25 million.

Net profit in the first half of 2018, amounting to a loss of €323 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, due mainly to a reduction in prospective Offshore Drilling rates (beyond the period of the plan), as well as to a revised discount rate;
- write downs and accruals, totalling €51 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 €22 million.

EBIT adjusted – EBIT reported reconciliation

(million euro)

	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Total	
Adjusted EBIT	**180**	**73**	**49**	**6**	**308**	
Reorganization expenses	6	11	4	4	25	(a)
Impairment/write-downs of tangible assets			14		14	
Write downs and accruals			7		7	(a)
Total special items	(6)	(11)	(25)	(4)	(46)	
Reported EBIT	**174**	**62**	**24**	**2**	**262**	

a) Special items affecting EBITDA amount to €32 million, i.e. the reconciliation of adjusted EBITDA of €606 million versus reported EBITDA of €574 million

Capital expenditure in the first half of 2019, relating mainly to the maintenance and upgrading of the existing asset base, amounted to €135 million (€313 million in the first half of 2018), broken down as follows:

- €78 million in Offshore Engineering & Construction;
- €6 million in Onshore Engineering & Construction;
- €18 million in Offshore Drilling;
- €33 million in Onshore Drilling.

Net debt at June 30, 2019 before the effects of IFRS 16 lease liabilities amounted to €1,043 million, a decrease of €116 million on December 31, 2018 (€1,159 million). Net debt inclusive of IFRS 16 lease liabilities (€531 million) amounted to €1,574 million.

Backlog

In the first half of 2019, Saipem was awarded new contracts amounting to €9,537 million (€3,986 million in the first half of 2018). The backlog at June 30, 2019 amounted to €17,637 million (€5,093 million in Offshore Engineering & Construction, €11,144 million in Onshore Engineering & Construction, €814 million in Offshore Drilling and €586 in Onshore Drilling), of which €3,574 million is to be realized in 2019.

The backlog inclusive of non-consolidated companies at June 30, 2019 amounted to €19,435 million (€5,093 million in Offshore Engineering & Construction, €12,942 million in Onshore Engineering & Construction, €814 million in Offshore Drilling and €586 million in Onshore Drilling), of which €3,748 million is to be realized in 2019.

New contract awards after the end of the first half

Saipem was awarded two new contracts in Saudi Arabia by Saudi Arabian Oil Company to the Onshore E&C Division, for onshore facilities relating to the development of the gas fields Berri and Marjan, both in the Arabian Gulf. Saipem was also awarded a new four-year drilling contract in the UAE by Adnoc, continuing ongoing operations and utilizing the jack-up Perro Negro 8.

Management outlook for 2019

High volatility in the price of oil and the ongoing low level of spending by the oil companies will probably continue in the second half of 2019. Some very important Final Investment Decisions ("FIDs") were taken in the gas segment during the first half of the year, which significantly contributed to the high level of contract awards.

The order backlog at the end of June 2019, combined with contract awards after the end of the first half of 2019 and forecasts on current commercial tenders, allow the management to forecast revenues for 2019 of around €9 billion, with an adjusted EBITDA margin in excess of 10%. Capital expenditure is forecast at around €500 million, while net debt pre-IFRS 16 is expected to be below €800 million at the end of 2019.

Additional information

By virtue of the powers attributed by art. 20 of Saipem's Articles of Association, pursuant to Article 2365 paragraph 2 of the Italian Civil Code, the Board of Directors approved the closure of the Company's secondary office in Cortemaggiore, as it was no longer operational, and the consequent modification of art. 3 of the Articles of Association.
The resolution and the new text of Saipem's Articles of Association will be made available to the public in accordance with the law.

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 analyzed 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 half of 2019:

- increase in EBIT of € 8 million;

- increase in EBITDA of €75 million;
- decrease in net profit of €5 million.

In detail:

- removal of lease rates of €75 million;
- increase in depreciation of €67 million;
- increase in financial expenses of €13 million.

	Increase in depreciation			*Removal of lease rates*			*Increase in EBIT*			*Increase in EBITDA*		
	Q1	***Q2***	***1H***	***Q1***	***Q2***	***1H***	***Q1***	***Q2***	***1H***	***Q1***	***Q2***	***1H***
Offshore E&C	22	26	48	25	29	54	3	3	6	25	29	54
Onshore E&C	8	7	15	8	9	17	0	2	2	8	9	17
Offshore Drilling	2	0	2	2	0	2	0	0	0	2	0	2
Onshore Drilling	1	1	2	1	1	2	0	0	0	1	1	2
Total	**33**	**34**	**67**	**36**	**39**	**75**	**3**	**5**	**8**	**36**	**39**	**75**

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This press release should be read in conjunction with the Statutory and Consolidated Financial Statements at December 31, 2018 and the condensed Interim Consolidated Financial Statements at June 30, 2018 of Saipem S.p.A., 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 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 "Webcast First Half 2019 Results" banner on the home page, or through the following URL: https://edge.media-server.com/mmc/p/xqh8vd2n

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 / 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)

Q2 2018	Q1 2019	Q2 2019	Q2 2019 vs Q2 2018 (%)		1H 2018	1H 2019*	1H 2019 vs 1H 2018 (%)
947	914	1,076	13.6	Revenues	1,750	1,990	13.7
(791)	(771)	(891)	12.6	Expenses	(1,491)	(1,662)	11.5
156	143	185	18.6	Adjusted EBITDA	259	328	26.6
(51)	(70)	(78)	52.9	Depreciation	(99)	(148)	49.5
105	73	107	1.9	Adjusted operating profit	160	180	12.5
16.5	15.6	17.2		Adjusted EBITDA %	14.8	16.5	
11.1	8.0	9.9		Adjusted EBIT %	9.1	9.0	
1,374	1,571	531		New contracts	1,573	2,102	

(*) Data for the first half of 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €54 million, of which €29 million in the second quarter,
- increase in depreciation of €48 million, of which €26 million in the second quarter

Backlog at June 30, 2019: €5,093 million, of which €1,714 million is to be realized in 2019.

- Revenues for the first half of 2019 amounted to €1,990 million, up by 13.7% compared to the first half of 2018, mainly attributable to greater volumes recorded in the Middle East and North Africa.

- Adjusted EBITDA for the first half of 2019 amounted to €328 million, equal to 16.5% of revenues, €274 million net of the effects of the IFRS 16 application, equal to 13.8% of revenues, compared to €259 million, equal to 14.8% of revenues in the first half of 2018.

- The most significant awards in the second quarter of 2019 include:

  - on behalf of Saudi Aramco, two new contracts as part of the ongoing Long-Term Agreement with the Client. These provide for the development of the Berri and Marjan offshore fields, both located in the Arabian Gulf. Activities shall encompass engineering, procurement, construction and installation of subsea systems, the laying of pipelines, cables and umbilicals and associated platforms;

  - on behalf of BP, the EPIC Tortue project to be realized in consortium with the French company Eiffage, whose scope of work includes engineering, procurement, construction and installation of marine infrastructures for an LNG terminal, on the border between Mauritanian and Senegalese territorial waters.

Onshore Engineering & Construction

(million euro)

Q2 2018	Q1 2019	Q2 2019	Q2 2019 vs Q2 2018 (%)		1H 2018	1H 2019*	1H 2019 vs 1H 2018 (%)
744	968	1,032	38.7	Adjusted revenues	1,622	2,000	23.3
(719)	(926)	(965)	34.2	Expenses	(1,571)	(1,891)	20.4
25	42	67	n.s.	Adjusted EBITDA	51	109	n.s.
(9)	(18)	(18)	100	Depreciation	(19)	(36)	89.5
16	24	49	n.s.	Adjusted operating profit	32	73	n.s.
3.4	4.3	6.5		Adjusted EBITDA %	3.1	5.5	
2.2	2.5	4.7		Adjusted EBIT %	2.0	3.7	
1,520	538	6,283		New contracts	2,298	6,821	

(*) Data for the first half of 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €17 million, of which €9 million in the second quarter,
- increase in depreciation of €15 million, of which €7 million in the second quarter

Backlog at June 30, 2019: €11,144 million, of which €1,428 million is to be realized in 2019.

- Revenues for the first half of 2019 amounted to €2,000 million, up 23.3% compared to the first half of 2018, due mainly to greater volumes recorded in the Middle and Far East, the Caspian Sea and West Africa.

- Adjusted EBITDA for the first half of 2019 amounted to €109 million, equal to 5.5% of revenues, €92 million net of the effects of IFRS 16 application, equal to 4.6% of revenues, compared to €51 million in the first half of 2018, equal to 3.1% of revenues. Adjusted EBITDA does not include the worsening from a contract executed by a jointly-controlled company, which is posted under the item “Income (loss) from investments” and represents almost the entire item.

- The most significant awards in the second quarter of 2019 include:
  - on behalf of Anadarko in Mozambique, in joint venture with McDermott International and Chiyoda Corporation, an EPC contract encompassing the construction of two Natural Gas Liquefaction (LNG) trains, as well as all necessary associated infrastructure, storage tanks and export jetty facilities. The beginning of activities is subject to the issue of a full Notice to Proceed, which Anadarko has informed is going to issue on July 26, 2019, as the Final Investment Decision (“FID”) has already been made;
  - on behalf of JSC GazpromNeft Moscow Refinery in Russia, a Preliminary Agreement for the execution of a new “Sulphur Recovery Unit” (SRU) inside the existing Moscow refinery;
  - on behalf of Infrastructure Development and Construction (IDC) in Serbia, a new contract encompassing the design and construction for the project “Transmission Gas Pipeline (Interconnector) Border of Bulgaria-Border of Hungary”.

Offshore Drilling

(million euro)

Q2 2018	Q1 2019	Q2 2019	Q2 2019 vs Q2 2018 (%)		1H 2018	1H 2019*	1H 2019 vs 1H 2018 (%)
105	140	116	10.5	Revenues	221	256	15.8
(51)	(84)	(70)	37.3	Expenses	(114)	(154)	35.1
54	56	46	(14.8)	Adjusted EBITDA	107	102	(4.7)
(25)	(30)	(23)	(8.0)	Depreciation	(53)	(53)	-
29	26	23	(20.7)	Adjusted operating profit	54	49	(9.3)
51.4	40.0	39.7		Adjusted EBITDA %	48.4	39.8	
27.6	18.6	19.8		Adjusted EBIT %	24.4	19.1	
34	214	140		New contracts	59	354	

(*) Data for the first half 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 second quarter,
- increase in depreciation of €2 million, of which €0 million in the second quarter

Backlog at June 30, 2019: €814 million, of which €245 million is to be realized in 2019.

- Revenues for the first half of 2019 amounted to €256 million, a 15.8% increase compared to the first half of 2018, mainly attributable to the semi-submersible rig Scarabeo 8 and the drillship Saipem 12000 having been partially idle in the first half of 2018, and to the contribution of the jack-up Pioneer leased from third parties since January 2019; the increase was partly offset by lower revenues from reduced operations of the Tender Assisted Barge and the semi-submersible rig Scarabeo 9.

- Adjusted EBITDA for the first half of 2019 amounted to €102 million, equal to 39.8% of revenues, €100 million net of the effects of IFRS 16 application, equal to 39.1% of revenues, compared to €107 million in the first half of 2018, with a margin on revenues of 48.4%.

- The most significant awards in the second quarter of 2019 include:
  - on behalf of Saudi Aramco in the Middle East, the four-year extension of the lease contract for the jack up Perro Negro 7;
  - on behalf of Saudi Aramco, a drilling contract in the Middle East of a three-year duration utilizing the jack-up Sea Lion 7, leased from third-parties;
  - on behalf of GSP, a new drilling contract in Romania, in Black Sea waters, utilizing the semi-submersible rig Scarabeo 9;
  - on behalf of Wintershall, a contract for the drilling of two wells in Norway plus the option of a further two wells, utilizing the semi-submersible rig Scarabeo 8;
  - on behalf of Repsol Norge AS, a drilling contract for a well in Norway utilizing the semi-submersible rig Scarabeo 8.

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

Vessel	***1H 2019***			***2019***
	Under contract	***Non-operating***		***Non-operating***
	(days)			***(days)***
Semi-submersible rig Scarabeo 5		181	(b)	256 (a+b)
Semi-submersible rig Scarabeo 7	181			133 (b)
Semi-submersible rig Scarabeo 8	181			30 (b)
Semi-submersible rig Scarabeo 9	97	84	(b)	207 (a+b)
Drillship Saipem 10000	181			-
Drillship Saipem 12000	165	16	(a)	102 (a)
Jack up Perro Negro 2		181	(b)	365 (b)
Jack up Perro Negro 4	181			-
Jack up Perro Negro 5	118	63	(a)	63 (a)
Jack up Perro Negro 7	181			-
Jack up Perro Negro 8	181			-
Jack up Pioneer Jindal (*)	160			-
Tender Assisted Drilling Barge		181	(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 22, 2019

Onshore Drilling:

(million euro)

Q2 2018	Q1 2019	Q2 2019	Q2 2019 vs Q2 2018 (%)		1H 2018	1H 2019*	1H 2019 vs 1H 2018 (%)
128	134	139	8.6	Revenues	246	273	11.0
(94)	(101)	(105)	11.7	Expenses	(180)	(206)	14.4
34	33	34	0.0	Adjusted EBITDA	66	67	1.5
(29)	(30)	(31)	6.9	Depreciation	(57)	(61)	7.0
5	3	3	(40.0)	Adjusted operating profit	9	6	(33.3)
26.6	24.6	24.5		Adjusted EBITDA %	26.8	24.5	
3.9	2.2	2.2		Adjusted EBIT %	3.7	2.2	
35	194	66		New contracts	56	260	

(*) Data for the first half of 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €2 million, of which €1 million in the second quarter,
- increase in depreciation of €2 million, of which €1 million in the second quarter

Backlog at June 30, 2019: €586 million, of which €187 million is to be realized in 2019.

- Revenues for the first half of 2019 amounted to €273 million, an 11% increase compared to the first half 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 half of 2019 amounted to €67 million, equal to 24,5% of revenues, €65 million net of the effects of IFRS 16 application, in line, in absolute value, with the first half of 2018.

- The most significant awards in the first half of 2019 concern new projects that will be realized in Bolivia and in Saudi Arabia, in addition to extensions of contracts already ongoing in Saudi Arabia, Peru, Morocco and Romania.

Average utilization of rigs in the first half of 2019 was 67.9% (66.7% in the first half of 2018). As of June 30, 2019, the Company owned 84 rigs, located as follows: 28 in Saudi Arabia, 19 in Venezuela, 17 in Peru, 4 in Bolivia, 4 in Ecuador, 3 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;
- 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	June 30, 2019
Net tangible assets		4,326	4,222
Right-of-use assets	*	550	531
Intangible assets		702	699
		5,578	5,452
Investments		78	77
Non-current assets	*	**5,656**	**5,529**
Net current assets		**292**	**298**
Provision for employee benefits		**(208)**	**(224)**
Assets available for disposal		**2**	**0**
CAPITAL EMPLOYED, NET		**5,742**	**5,603**
Shareholder's equity		**3,962**	**3,991**
Non-controlling interests		**74**	**38**
Net debt pre-IFRS 16		1,159	1,043
Financial leasing liabilities	*	547	531
Net debt		**1,706**	**1,574**
FUNDING		**5,742**	**5,603**
Leverage pre IFRS16 (net debt/shareholders' equity including minority interest)		**0.29**	**0.26**
Leverage post IFRS16 (net debt/shareholders' equity including minority interest)		**0.42**	**0.39**
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)

Q2 2018	Q1 2019	Q2 2019		1H 2018	1H 2019
1,883	2,156	2,363	Net sales from operations	3,798	4,519
-	1	5	Other income and revenues	1	6
(1,300)	(1,490)	(1,594)	Purchases, services and other costs	(2,654)	(3,084)
2	(2)	(20)	Net reversals (impairments) of trade and other receivables	3	(22)
(376)	(399)	(446)	Payroll and related costs	(738)	(845)
209	**266**	**308**	**GROSS OPERATING PROFIT (LOSS)**	**410**	**574**
(370)	(148)	(164)	Depreciation, amortization and impairment	(484)	(312)
(161)	**118**	**144**	**OPERATING PROFIT (LOSS)**	**(74)**	**262**
(37)	(54)	(47)	Finance expense	(80)	(101)
(49)	(4)	(34)	Income (loss) from investments	(49)	(38)
(247)	**60**	**63**	**PROFIT (LOSS) BEFORE TAXES**	**(203)**	**123**
(55)	(30)	(47)	Income taxes	(95)	(77)
(302)	**30**	**16**	**PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS**	**(298)**	**46**
(19)	(9)	(23)	Net profit (loss) attributable to non-controlling interests	(25)	(32)
(321)	**21**	**(7)**	**NET PROFIT (LOSS)**	**(323)**	**14**
49	**169**	**157**	**CASH FLOW (net result + depreciation and amortization)**	**161**	**326**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

Q2 2018	Q1 2019	Q2 2019		1H 2018	1H 2019
1,883	2,156	2,363	Net sales from operations	3,798	4,519
(1,902)	(1,891)	(2,081)	Production costs	(3,577)	(3,972)
(44)	(58)	(50)	Idle costs	(106)	(108)
(37)	(38)	(38)	Selling expenses	(72)	(76)
(6)	(6)	(8)	Research and development expenses	(12)	(14)
(11)	(2)	4	Other operating income (expenses), net	(16)	2
(117)	**161**	**190**	**CONTRIBUTION FROM OPERATIONS**	**15**	**351**
(44)	(43)	(46)	General and administrative expenses	(89)	(89)
(161)	**118**	**144**	**OPERATING PROFIT (LOSS)**	**(74)**	**262**
(37)	(54)	(47)	Finance expense	(80)	(101)
(49)	(4)	(34)	Income (loss) from investments	(49)	(38)
(247)	**60**	63	**PROFIT (LOSS) BEFORE TAXES**	(203)	123
(55)	(30)	(47)	Income taxes	(95)	(77)
(302)	**30**	**16**	**PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS**	**(298)**	**46**
(19)	(9)	(23)	Net profit (loss) attributable to non-controlling interests	(25)	(32)
(321)	**21**	**(7)**	**NET PROFIT (LOSS)**	**(323)**	**14**
49	**169**	**157**	**CASH FLOW (net result + depreciation and amortization)**	**161**	**326**

RECLASSIFIED CASH FLOW STATEMENT

(million euro)

Q2 2018	Q1 2019	Q2 2019		1H 2018	1H 2019
(321)	21	(7)	Net profit (loss) for the period	(323)	14
19	9	23	Non-controlling interests	25	32
			Adjustments to reconcile cash generated from operating profit (loss) before changes in working capital:		
432	148	206	Depreciation, amortization and other non-monetary items	528	354
16	(35)	56	Changes in working capital related to operations	58	21
146	**143**	**278**	**Net cash flow from operations**	**288**	**421**
(281)	(74)	(61)	Capital expenditure	(313)	(135)
-	(17)	(18)	Investments and purchase of consolidated subsidiaries and businesses	-	(35)
-	–	8	Disposals	-	8
(135)	**52**	**207**	**Free cash flow**	**(25)**	**259**
-	-	-	Buy-back of treasury shares/Exercise of stock options	-	-
-	-	-	Share capital increase net of expenses	-	-
-	(15)	(62)	Cash flow from capital and reserves	(15)	(77)
-	(36)	(26)	Repayment of lease liabilities	-	(62)
10	(3)	(1)	Exchange differences on net debt and other changes	11	(4)
(125)	**(2)**	**118**	**Change in net debt before lease liabilities**	**(29)**	**116**
-	(584)	53	**Change in lease liabilities**	-	(531)
(125)	**(586)**	**171**	**Change in net debt**	**(29)**	**(415)**
1,200	**1,159**	**1,745**	**Net debt at beginning of period**	**1,296**	**1,159**
1,325	**1,745**	**1,574**	**Net debt at end of period**	**1,325**	**1,574**

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	XXX	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**