Saipem: The Board approves 2019 preliminary financial statements

Highlights for the year 2019

- **Strong growth in 2019 financial results:**
  - Revenues growing at €9.1 billion
  - Adjusted EBITDA margin above 11% (pre-IFRS 16)
  - Net debt below €500 million (pre-IFRS 16), strongly reducing compared to 2018 (approximately €1.2 billion)
- **Net result**: **€12 million** (loss of €472 million in 2018)
- **Strong acceleration of new orders' awards**, for an amount in excess of €17 billion as at December 31, 2019; reaching approximately €20 billion when including new contracts awarded by non-consolidated companies
- **Record backlog at approximately €25 billion euro**, including circa €3.6 billion of non-consolidated companies' backlog
- **Confirmed solid operational results,** specifically**: Offshore Engineering & Construction Division** delivered a good operational performance for the year; in **Onshore Engineering & Construction Division** the turnaround progresses positively with a consistent improvement in margins; **Offshore and Onshore Drilling Divisions** recorded increased volumes and margins in line with the still challenging context of the market
- The Board of Directors resolved to propose to the General Annual Meeting the distribution of an ordinary dividend of €0.01 per ordinary and saving share

Year 2020

- Revenues are expected to be approximately €10 billion, with adjusted EBITDA above of €1.1 billion (post-IFRS 16), capital expenditure of approximately €600 million and net debt below €700 million (pre-IFRS 16)

San Donato Milanese, February 26, 2020 - Yesterday, the Board of Directors of Saipem S.p.A., chaired by Francesco Caio, reviewed the Saipem Group preliminary consolidated Financial Statements[1] as at December 31, 2019, which have been prepared in compliance with the International Financial Reporting Standards (EU approved IFRS). The Board of Directors resolved to propose to the Annual General Meeting the distribution of an ordinary dividend.

Results for 2019[2]:

- Revenues: €9,099 million (€8,526 million in 2018), of which €2,351 million in the fourth quarter
- EBITDA: €1,146 million (€848 million in 2018), of which €280 million in the fourth quarter
- Adjusted EBITDA: €1,266 million (€1,002 million in 2018), of which €327 million in the fourth quarter
- Operating profit (EBIT): €456 million (€37 million in 2018), of which €54 million in the fourth quarter

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[1] *Not subject to audit*

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

- Adjusted operating profit (EBIT): €609 million (€534 million in 2018), of which €160 million in the fourth quarter
- Net profit: €12 million (a loss of €472 million in 2018), of which a loss of €32 million in the fourth quarter
- Adjusted net profit: €165 million (€25 million in 2018), of which €74 million in the fourth quarter
- Special Items - results 2019: write-downs and re-organization expenses of €153 million (write-downs and re-organization expenses of €497 million in 2018), of which €106 million in the fourth quarter
- Capital expenditure: €336 million (€485 million in 2018), of which €107 million in the fourth quarter
- Net debt inclusive of IFRS 16 lease liabilities at December 31, 2019: €1,082 million (€1,706 million at January 1, 2019)
- Net debt pre IFRS 16 at December 31, 2019: €472 million (€1,159 million at December 31, 2018)
- New contracts: €17,633 million (€8,753 million in 2018); these reach €19.747 million including new contracts awarded to non-consolidated companies
- Backlog: €21,153 million (€12,619 million at December 31, 2018), reaching €24,778 million including non-consolidated companies' backlog (€14,463 million at December 31, 2018).

Stefano Cao, Saipem CEO, commented:

"Efforts over the last few years to achieve a solid and rigorous economic and financial stability have allowed us to beat all targets set for 2019, with particular reference to net debt, significantly down to below 500 million euro, strong improvement in adjusted net profit and adjusted EBITDA above 11%. The deep organizational and managerial transformation and the clear-cut strategic orientation to anticipate the energy transition have allowed us over the course of the year to be awarded an outstanding level of new contracts and achieve a record backlog, to which all divisions have contributed with solid performances. This repositioning is enabling Saipem to regain a leading role in the sector and to be prepared to face future challenges proactively and with optimism, with the objective of creating sustainable value for stakeholders".

Financial highlights

(million euro)

Q4 2018	Q3 2019	Q4 2019	Q4 2019 vs Q4 2018 (%)		Year 2018	Year 2019	2019 vs 2018 (%)
2,469	2,229	2,351	(4.8)	Revenues	8,526	9,099	6.7
206	292	280	35.9	EBITDA	848	1,146	35.1
242	293	327	35.1	Adjusted EBITDA	1,002	1.226	22.4
(6)	140	54	n.s.	Operating profit (EBIT)	37	456	n.s.
117	141	160	36.8	Adjusted operating profit (EBIT)	534	609	14.0
(115)	30	(32)	(72.2)	Net profit	(472)	12	n.s.
8	31	74	n.s.	Adjusted net profit	25	165	n.s.
173	120	508	n.s.	Free cash flow	200	887	n.s.
1,159	927	472	(59.3)	Net debt pre IFRS16 lease liabilities	1,159	472	(59.3)
-	1,421	1,082	n.s.	Net debt post IFRS16 lease liabilities	-	1,082	n.s.
120	94	107	(10.8)	Capital expenditure	485	336	(30.7)
2,632	4,406	3,690	40.2	New contracts	8,753	17,633	n.s.

(*) Data for 2019 includes the impact of the new accounting standard IFRS 16, as follows:

- *removal of lease rates of €161 million, of which €47 million in the fourth quarter and €39 million in the third quarter*
- *increase in depreciation of €149 million, of which €45 million in the fourth quarter and €37 million in the third quarter*
- *increase in financial expenses of €26 million, of which €7 million in the fourth quarter and €6 million in the third quarter*
- *consequent positive impact on EBIT of €12 million (of which €2 million in the fourth quarter and €2 million in the third quarter) and on EBITDA of €161 million (of which €47 in the fourth quarter and €39 in the third 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.

Proposal of dividend distribution

The Board of Directors resolved to propose to the Annual General Meeting, which will be held on April 29, 2020 (single call) the approval of an ordinary dividend, out of distributable reserves from previous years profits and carried forward, of €0.01 per ordinary and saving share since in accordance with Art 6, paragraph d) of the Articles of Association " in case of distribution of reserves, saving shares have equivalent rights as any other category of shares issued by the Company".
The dividend will be paid on May 20th, 2020 (ex-coupon date May 18th, 2020 and record date May 19th, 2020).

Reorganization: impact on reporting

The results of 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 €9,099 million, up by 6.7% on 2019, due to volume increases recorded in the Onshore Engineering & Construction division and the Offshore and Onshore Drilling divisions.

Adjusted EBITDA amounted to €1,226 million, €1,065 million net of the effects of IFRS 16 application, (€1,002 million in 2018): this increase is attributable to a good operational performance in the Onshore Engineering & Construction division.

Adjusted net profit amounted to €165 million (€25 million in 2018). Alongside the positive variation of the adjusted operating income, of €75 million, an improvement in financial expenses and a significant decrease of taxes were recorded, partly offset by an increase in results attributable to non-controlling interests.

Net profit in 2019 amounted to €12 million (loss of €472 million in 2018), and, unlike adjusted net profit, was impacted by the following special items:

- Write-downs of tangible assets in the Offshore Drilling division of €58 million deriving from the impairment test;
- write-down of a jack up and related working capital of €22 million; the asset has been partially written down because it will be replaced by a third-party leased asset from March 2020 to conclude the ongoing contract in backlog;
- working capital write downs, totalling €63 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;
- release of a provision of €38 million following the acquittal ruling on the “Algeria” proceeding issued by the Court of Appeal of Milan on January 15, 2020, fully upholding the appeal of Saipem S.p.A. and of the individuals charged (including some former managers of Saipem who have all left the Company between 2008 and 2012), stating the absence of the administrative offence of Saipem SpA because of the inexistence of the alleged facts, and therefore revoking the confiscation of the price of the offence that was pronounced in the First Instance by the Court of Milan, pursuant to article 19 of Legislative Decree 231/2001;
- reorganization expenses of €48 million.

EBIT adjusted - EBIT reported reconciliation

(million euro)

	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Total	
Adjusted EBIT	**338**	**144**	**123**	**4**	**609**	
Reorganization expenses	13	25	3	7	48	(a)
Write-downs of tangible assets			15		15	
Impairment			58		58	
Write downs and accruals		63	7		70	(a)
Release of a provision		(38)			(38)	(a)
Total special items	(13)	(50)	(83)	(7)	(153)	
Reported EBIT	**325**	**94**	**40**	**(3)**	**456**	

a) Special items affecting EBITDA amount to €80 million, i.e. the reconciliation of adjusted EBITDA of €1,226 million versus reported EBITDA of €1,146 million

In 2018, **net result** amounting to a loss of €472 million, unlike adjusted net profit, was reduced by the following special items:

- the write-down of tangible and intangible assets amounting to €343 million, deriving mainly from impairment test;
- 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;
- reorganisation expenses of €45 million.

Capital expenditure in 2019, relating mainly to the maintenance and upgrading of the existing asset base, amounted to €336 million (€485 million in 2018), broken down as follows:

- €144 million in Offshore Engineering & Construction;
- €22 million in Onshore Engineering & Construction;
- €86 million in Offshore Drilling;
- €84 million in Onshore Drilling.

Net debt at December 31, 2019 pre-IFRS 16 lease liabilities amounted to €472 million, recording a decrease of €687 million on December 31, 2018 (€1,159 million). This significant reduction was the result of net advance payments on new projects awarded in 2019, the rescheduling of certain investments, the proceeds from the award of arbitrations during the year and, last but not least, the positive contribution from the collection of overdue receivables.
Net debt inclusive of IFRS 16 lease liabilities (€610 million) amounted to €1,082 million.

Backlog

In 2019, Saipem was awarded new contracts amounting to €17,633 million (€8,753 million in 2018). The backlog as at December 31, 2019 amounts to €21,153 million (€5,611 million in Offshore Engineering & Construction, €13,007 million in Onshore Engineering & Construction, €737 million in Offshore Drilling and €1,798 million in Onshore Drilling), of which €7,532 million is to be executed in 2020.
The backlog, inclusive of non-consolidated companies as at December 31, 2019 amounted to €24,778 million (€5,611 million in Offshore Engineering & Construction, €16,632 million in Onshore Engineering & Construction, €737 million in Offshore Drilling and €1,798 million in Onshore Drilling), of which €8,347 million is to be executed in 2020.

New contracts awarded after year-end

As announced on February 6, 2020, Saipem was awarded several EPCI contracts in various countries around the world: on behalf of Saudi Aramco, a contract as part of the Long-Term Agreement in force until 2021 in Saudi Arabia; on behalf of Eni Angola, a contract related to Cabaça and Agogo Early Phase 1 developments in West Africa; on behalf of Noble Energy, a contract for the offshore installation of a 70 km gas pipeline connecting the Alen Platform to Punta Europa on the coast in Equatorial Guinea ; additional minor contracts awarded are related to the decommissioning of existing infrastructures located in the Thistle Field of the North Sea to be executed by the Saipem 7000 and two other offshore transportation and installation contracts in the Middle East and the Gulf of Mexico.

Management outlook for 2020

In a market scenario still characterized by strong uncertainty on the economic/financial prospects due to the corona virus epidemic and political instability in various regions of the world, with impacts on oil and gas demand and prices, the weak signs of recovery in the Oil and Gas sector have not yet translated into a significant acceleration of investments in exploration and production by the Oil Companies, except for some opportunities in specific geographical areas. In this context, the exceptions are those investments in segments associated with the energy transition, such as gas and renewables, or structurally countercyclical, such as downstream, for which signals remain positive.
The record level of the backlog at the end of 2019, combined with good visibility in the short-term on current commercial tenders, underpin estimates on revenues at around €10 billion in 2020, with an adjusted EBITDA above €1.1 billion (post–IFRS 16).
Capital expenditure is expected to increase at around €600 million, also considering the postponement of some initiatives and activities from 2019.
Net debt (pre–IFRS 16) at the end of 2020 is expected to be below €700 million.

Guidance 2020:

- Revenues: around €10 billion
- Adjusted EBITDA (post-IFRS 16): > €1.1 billion
- Capital expenditure: around €600 million
- Net debt (pre-IFRS 16): < €700 million

Additional information

Pursuant to art. 20 of the Articles of Association and art. 2365, paragraph 2, of the Italian Civil Code, the Board of Directors of Saipem S.p.A. is responsible for amending the Articles of Association to ensure compliance with regulatory provisions.

Saipem's Board of Directors assessed that the Company's statutory provisions are in compliance with the changes introduced by Law no. 160 dated December 27, 2019, regarding gender symmetry, with the sole exception of art. 31 (which provided for a transitory clause related to the application of previous regulation), which has been deleted.

The resolution by the Board of Directors and the new text of the Articles of Association will be made available to the public under the terms of 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 expenses 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 expenses paid in connection with the reimbursement of lease liabilities is recognized; (b) net cash used in investment 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 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 in 2019:

- increase in EBIT of € 12 million;
- increase in EBITDA of €161 million;
- decrease in net profit of €14 million.

In detail:

- removal of lease rates of €161 million;
- increase in depreciation of €149 million;
- increase in financial expenses of €26 million.

Division	***Increase in depreciation***				***Removal of lease rates***			
	Q1	***Q2***	***Q3***	***Q4***	***Q1***	***Q2***	***Q3***	***Q4***
Offshore E&C	22	26	26	26	25	29	27	31
Onshore E&C	8	7	10	13	8	9	11	10
Offshore Drilling	2	0	0	4	2	0	0	4
Onshore Drilling	1	1	1	2	1	1	1	2
Total	**33**	**34**	**37**	**45**	**36**	**39**	**39**	**47**

Division	***Increase in EBIT***				***Increase in EBITDA***			
	Q1	***Q2***	***Q3***	***Q4***	***Q1***	***Q2***	***Q3***	***Q4***
Offshore E&C	3	3	1	5	25	29	27	31
Onshore E&C	0	2	1	(3)	8	9	11	10
Offshore Drilling	0	0	0	0	2	0	0	4
Onshore Drilling	0	0	0	0	1	1	1	2
Total	**3**	**5**	**2**	**2**	**36**	**39**	**39**	**47**

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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 CEO Stefano Cao and the CFO Stefano Cavacini today at 9.00 am CET (8.00 am GMT, 3.00 am EDT, 00.00 am PDT). The conference call can be followed on Saipem's website (www.saipem.com) by clicking on the "FY 2019 Results" banner on the home page, or through the following URL: https://edge.media-server.com/mmc/p/zxrtytdp

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)

Q4 2018	Q3 2019	Q4 2019	Q4 2019 vs Q4 2018 (%)		Year 2018	Year 2019	2019 vs 2018 (%)
1,040	998	853	(18.0)	Revenues	3,852	3,841	(0.3)
(939)	(836)	(698)	(25.7)	Expenses	(3,329)	(3,196)	(4.0)
101	162	155	53.5	Adjusted EBITDA	523	645	23.3
(55)	(78)	(81)	47.3	Depreciation	(205)	(307)	49.8
46	84	74	60.9	Adjusted operating profit	318	338	6.3
	16.2	18.2		Adjusted EBITDA %	13.6	16.8	
	8.4	8.7		Adjusted EBIT %	8.3	8.8	
1,575	661	1,708		New contracts	4,189	4,471	

(*) Data for 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €112 million, of which €31 million in the fourth quarter and €27 million in the third quarter,
- increase in depreciation of €100 million, of which €26 million in the fourth quarter and €26 million in the third quarter

Backlog at December 31, 2019: €5,611 million, of which €2,899 million is to be realized in 2020.

- Revenues for 2019 amounted to €3,841 million, largely in line with those for 2018, as the greater volumes recorded in ~~the~~ North Africa and Central/South America were offset by lower volumes recorded in Sub-Saharan Africa due to the conclusion of projects in Nigeria and Angola.

- Adjusted EBITDA for 2019 amounted to €645 million, equal to 16.8% of revenues, €533 million net of the effects of the IFRS 16 application, equal to 13.9% of revenues, compared to €523 million, equal to 13.6% of revenues in 2018.

- The most significant awards in the fourth quarter of 2019 relate to:
  - a subsea contract for the proposed Payara development project on behalf of ExxonMobil, comprising engineering, procurement, construction and installation (EPCI) of subsea structures, risers and flowlines;
  - a contract by the French company EDF Renewables for the construction of the Neart na Gaoithe (NnG) wind farm offshore Scotland;
  - additional work on ongoing projects in Saudi Arabia, Azerbaijan and the North Sea.

Onshore Engineering & Construction

(million euro)

Q4 2018	Q3 2019	Q4 2019	Q4 2019 vs Q4 2018 (%)		Year 2018	Year 2019	2019 vs 2018 (%)
1,189	974	1,225	3.0	Adjusted Revenues[3]	3,769	4,199	11.4
(1,152)	(920)	(1,161)	0.8	Expenses	(3,651)	(3,972)	8.8
37	54	64	73.0	Adjusted EBITDA	118	227	92.4
(10)	(23)	(24)	n.s.	Depreciation	(40)	(83)	n.s.
27	31	40	48.1	Adjusted operating profit	78	144	84.6
3.1	5.5	5.2		Adjusted EBITDA %	3.1	5.4	
2.3	3.2	3.3		Adjusted EBIT %	2.1	3.4	
740	3,575	453		New contracts	4,085	10,849	

(*) Data for 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €38 million, of which €10 million in the fourth quarter and €11 million in the third quarter,
- increase in depreciation of €38 million, of which €13 million in the fourth quarter and €10 million in the third quarter

Backlog at December 31, 2019: €13,007 million, of which €3,796 million is to be realized in 2020.

- Revenues for 2019 amounted to €4,199 million, up 11.4% compared to those for 2019, due mainly to greater volumes recorded in the Middle and the Far East, only partially offset by lower volumes recorded in Central/South America and Sub-Saharan Africa.
- Adjusted EBITDA for 2019 amounted to €227 million, equal to 5.4% of revenues, €189 million net of the effects of IFRS 16 application, equal to 4.5% of revenues, compared to €118 million in 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.

[3] *Adjusted revenues for 2019 do not include write-downs in working capital (ongoing work) of €34 million, recorded entirely in the fourth quarter (€61 million in 2018, of which €20 million in the fourth quarter).*

Offshore Drilling

(million euro)

Q4 2018	Q3 2019	Q4 2019	Q4 2019 vs Q4 2018 (%)		Year 2018	Year 2019	2019 vs 2018 (%)
129	121	178	38.0	Revenues	465	555	19.4
(61)	(78)	(97)	59.0	Expenses	(239)	(329)	37.7
68	43	81	19.1	Adjusted EBITDA	226	226	-
(30)	(20)	(30)	-	Depreciation	(106)	(103)	(2.8)
38	23	51	34.2	Adjusted operating profit	120	123	2.5
52.7	35.5	45.5		Adjusted EBITDA %	48.6	40.7	
29.5	19.0	28.7		Adjusted EBIT %	25.8	22.2	
146	128	94		New contracts	234	576	

(*) Data for 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €6 million, of which €4 million in the fourth quarter and €0 million in the third quarter,
- increase in depreciation of €6 million, of which €4 million in the fourth quarter and €0 million in the third quarter

Backlog at December 31, 2019: €737 million, of which €410 million is to be realized in 2020.

- Revenues for 2019 amounted to €555 million, a 19.4% increase compared to 2018, mainly attributable to the increased activity by the semi-submersible rig Scarabeo 8 and the drillship Saipem 12000, partially idle in the same period of 2018, and to the contribution of the jack-up Pioneer leased from third parties since January 2019; the increase was partly offset by the inactivity of the Tender Assisted Barge and the semi-submersible rigs Scarabeo 9 and Scarabeo 7.

- Adjusted EBITDA for 2019 amounted to €226 million, equal to 40.7% of revenues, €220 million net of the effects of IFRS 16 application, equal to 39.6% of revenues, compared to €226 million in 2018, with a margin on revenues of 48.6%.

- The most significant awards in the fourth quarter of 2019 relate to operations that will be carried out in Norway and Angola.

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

Vessel	***Year 2019***		***2020***
	Under contract (days)	***Non-operating (days)***	***Non-operating (days)***
Semi-submersible rig Scarabeo 5	117	248 (a+b)	-
Semi-submersible rig Scarabeo 7	273	92 (b)	366 (a+b)
Semi-submersible rig Scarabeo 8	334	31 (b)	76 (b)
Semi-submersible rig Scarabeo 9	272	93 (b)	148 (a+b)
Drillship Saipem 10000	365	-	92 (a)
Drillship Saipem 12000	279	86 (a)	-
Jack up Perro Negro 2	0	365 (b)	366 (b)
Jack up Perro Negro 4	365	-	30 (a)
Jack up Perro Negro 5	302	63 (a)	245 (a)
Jack up Perro Negro 7	365	-	-
Jack up Perro Negro 8	365	-	80 (a)-
Jack up Pioneer Jindal (*)	344	-	-
Jack up Sea Lion 7 (**)	-	151 (a)	-
Jack up Perro Negro 9(***)		22 (a)	121 (a)
Tender Assisted Drilling Barge	-	365 (b)	366 (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
(***) = the vessel has been contracted to Saipem since December 2019

Onshore Drilling:

(million euro)

Q4 2018	Q3 2019	Q4 2019	Q4 2019 vs Q4 2018 (%)		Year 2018	Year 2019	2019 vs 2018 (%)
131	136	129	(1.5)	Revenues	501	538	7.4
(95)	(102)	(102)	7.4	Expenses	(366)	(410)	12.0
36	34	27	(25.0)	Adjusted EBITDA	135	128	(5.2)
(30)	(31)	(32)	6.7	Depreciation	(117)	(124)	6.0
6	3	(5)	n.s.	Adjusted operating profit	18	4	(77.8)
27.5	25.0	20.9		Adjusted EBITDA %	26.9	23.8	
4.6	2.2	(3.9)		Adjusted EBIT %	3.6	0.7	
171	42	1,435		New contracts	245	1,737	

(*) Data for 2019 includes the impact of the new accounting standard IFRS 16, as follows:
- removal of lease rates of €5 million, of which €2 million in the fourth quarter and €1 million in the third quarter,
- increase in depreciation of €5 million, of which €2 million in the fourth quarter and €1 million in the third quarter

Backlog at December 31, 2019: €1,798 million, of which €427 million is to be realized in 2020.

- Revenues for 2019 amounted to €538 million, a 7.4% increase compared to those for 2018, thanks to greater volumes recorded in Saudi Arabia and South America, partially offset by reduced activities in Kazakhstan.

- Adjusted EBITDA for 2019 amounted to €128 million, equal to 23.8% of revenues, €123 million net of the effects of IFRS 16 application, compared to €135 million in 2018, with a margin on revenues of 26.9%.

- The most significant awards in the fourth quarter of 2019 relate to contract extensions for 19 drilling rigs located in the Middle East, whose duration ranges between three and ten years. Furthermore, new contracts and extensions to existing ones were awarded for new projects that will be carried out in Bolivia, Peru and Rumania.

Average utilization of rigs in 2019 was 68.3% (65.3% in 2018). As of December 31, 2019, the Company owned 82 rigs, located as follows: 28 in Saudi Arabia, 18 in Venezuela, 17 in Peru, 4 in Bolivia, 3 in Argentina, 2 in Colombia, 2 in Ecuador, 2 in Kazakhstan, 2 in Kuwait, 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.
Furthermore, a new rig is under construction and is due to operate in Argentina on a five-year contract already in the backlog. During the year, two rigs were scrapped; they had been fully written down and had been idle in Ecuador.

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	December 31, 2019
Net tangible assets		4,326	4,129
Right-of-use assets	*	550	584
Intangible assets		702	698
		5,578	5,411
Investments		78	106
Non-current assets	*	**5,656**	**5,517**
Net current assets		**292**	**(64)**
Provision for employee benefits		**(208)**	**(246)**
Assets available for disposal		**2**	**-**
CAPITAL EMPLOYED, NET		**5,742**	**5,207**
Shareholder's equity		**3,962**	**4,032**
Non-controlling interests		**74**	**93**
Net debt pre-IFRS 16		1,159	472
Financial leasing liabilities	*	547	610
Net debt		**1,706**	**1,082**
FUNDING		**5,742**	**5,207**
Leverage pre IFRS16 (net debt/shareholders' equity including minority interest)		**0.29**	**0.11**
Leverage post IFRS16 (net debt/shareholders' equity including minority interest)		**0.42**	**0.26**
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)

Q4 2018	Q3 2019	Q4 2019		Year 2018	Year 2019
2,469	2,229	2,351	Net sales from operations	8,526	9,099
3	2	3	Other income and revenues	4	11
(1,787)	(1,514)	(1,634)	Purchases, services and other costs	(6,103)	(6,232)
(61)	(44)	4	Net reversals (impairments) of trade and other receivables	(57)	(62)
(418)	(381)	(444)	Payroll and related costs	(1,522)	(1,670)
206	**292**	**280**	**GROSS OPERATING PROFIT (LOSS)**	**848**	**1,146**
(212)	(152)	(226)	Depreciation, amortization and impairment	(811)	(690)
(6)	**140**	**54**	**OPERATING PROFIT (LOSS)**	**37**	**456**
(42)	(53)	(56)	Finance expense	(165)	(210)
(13)	0	20	Income (loss) from investments	(88)	(18)
(61)	**87**	**18**	**PROFIT (LOSS) BEFORE TAXES**	(216)	**228**
(36)	(29)	(24)	Income taxes	(194)	(130)
(97)	**58**	**(6)**	**PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS**	**(410)**	**98**
(18)	(28)	(26)	Net profit (loss) attributable to non-controlling interests	(62)	(86)
(115)	**30**	**(32)**	**NET PROFIT (LOSS)**	**(472)**	**12**
97	**182**	**194**	**CASH FLOW (net result + depreciation and amortization)**	**339**	**702**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

Q4 2018	Q3 2019	Q4 2019		Year 2018	Year 2019
2,469	2,229	2,351	Net sales from operations	8,526	9,099
(2,314)	(1,942)	(2,137)	Production costs	(7,898)	(8,051)
(63)	(55)	(59)	Idle costs	(219)	(222)
(42)	(31)	(43)	Selling expenses	(145)	(150)
(14)	(10)	(14)	Research and development expenses	(33)	(38)
1	(8)	4	Other operating income (expenses), net	(18)	(2)
37	**183**	**102**	**CONTRIBUTION FROM OPERATIONS**	**213**	**636**
(43)	(43)	(48)	General and administrative expenses	(176)	(180)
(6)	**140**	**54**	**OPERATING PROFIT (LOSS)**	**37**	**456**
(42)	(53)	(56)	Finance expense	(165)	(210)
(13)	0	20	Income (loss) from investments	(88)	(18)
(61)	**87**	**18**	**PROFIT (LOSS) BEFORE TAXES**	(216)	**228**
(36)	(29)	(24)	Income taxes	(194)	(130)
(97)	**58**	**(6)**	**PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS**	**(410)**	**98**
(18)	(28)	(26)	Net profit (loss) attributable to non-controlling interests	(62)	(86)
(115)	**30**	**(32)**	**NET PROFIT (LOSS)**	**(472)**	**12**
97	**182**	**194**	**CASH FLOW (net result + depreciation and amortization)**	**339**	**702**

RECLASSIFIED CASH FLOW STATEMENT

(million euro)

Q4 2018	Q3 2019	Q4 2019		Year 2018	Year 2019
(115)	30	(32)	Net profit (loss) for the period	(472)	12
18	28	26	Non-controlling interests	62	86
			Adjustments to reconcile cash generated from operating profit (loss) before changes in working capital:		
256	124	243	Depreciation, amortization and other non-monetary items	879	721
136	37	380	Changes in working capital related to operations	242	438
295	**219**	**617**	**Net cash flow from operations**	**711**	**1,257**
(120)	(94)	(107)	Capital expenditure	(485)	(336)
(3)	(9)	(1)	Investments and purchase of consolidated subsidiaries and businesses	(27)	(45)
1	4	(1)	Disposals	1	11
173	**120**	**508**	**Free cash flow**	**200**	**887**
-	-	-	Buy-back of treasury shares/Exercise of stock options	-	-
-	-	-	Share capital increase net of expenses	-	-
(64)	-	-	Cash flow from capital and reserves	(79)	(77)
-	(25)	(40)	Repayment of lease liabilities	-	(127)
2	21	(13)	Exchange differences on net debt and other changes	16	4
111	**116**	**455**	**Change in net debt before lease liabilities**	**137**	**687**
-	37	(116)	**Change in lease liabilities**	-	(610)
111	**153**	**339**	**Change in net debt**	**137**	**77**
1,270	**1,574**	**1,421**	**Net debt at beginning of period**	**1,296**	**1,159**
1,159	**1,421**	**1,082**	**Net debt at end of period**	**1,159**	**1,082**

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**