SAIPEM

Saipem: First half 2020 results

Saipem's backlog has reached a new peak thanks to significant awards achieved during the period for about €4.8 billion, while activity on the projects continues under an unprecedented situation, with the company providing maximum priority to the health of its people. Despite an understandable slow-down of operating results in the period, the financial flexibility remains substantial.

Highlights

- Solid and diversified backlog, which has increased to approximately €26 billion (over 70% of the E&C portion not related to oil) thanks to new acquisitions equal to 1.3 times the half year revenues (2.6 times the quarterly revenues)
- Economic and financial results for the period, with revenues at around €3.7 billion, which reflect the postponement of certain activities agreed upon with the clients, with whom the company's dialogue remains constant, as it does with the suppliers, to support project progress while safeguarding the health of people
- Adjusted EBITDA margin close to 10%
- Solid and balanced financial structure with strong liquidity and no significant debt maturity prior to 2022; further enhancement achieved following the new bond issue at the beginning of July, which extends the average duration of debt
- Net debt pre IFRS16 of around €900 million
- Efficiency initiatives launched following the pandemic on many areas of the cost structure are progressing, with an expected contribution of about €190 million in 2020; the rescheduling of capital expenditure has been confirmed, and capex is now expected to be below €400 million
- Impairment and write-down of assets mainly in the Offshore Drilling division of €669 million.
- Confirmation of the strategy already outlined and of the Group's structure
- Confirmation of the good visibility on future business opportunities, albeit on a longer time frame

Covid-19

The immediate activation of Saipem Crisis Unit, which coordinates more than 50 control units around the world, the adoption of adequate healthcare protocols and worker rotation procedures at the operating sites, as well as the acceleration of the remote work programme - since mid-February - gradually extended to all employees, and constant coordination with clients and suppliers, enabled to progress project activities, albeit within the limits posed on mobility and the need to safeguard the health of people, which remains the company's top priority.
During the period costs directly attributable to Covid-19 were recorded for about €44 million connected, among other things, to the purchase of personal protection equipment and devices in addition to standard requirements, the work areas sanitisation, the costs for charter flights, as well as stand-by costs.
At the present time, out of a total of about 34,000 employees, the percentage of overall Covid-19 positive cases reported by Saipem is around 2.5%, 30% of which is still infected and constantly monitored by the company.
Saipem has solid fundamentals underpinning the strategies adopted to decisively challenge the pandemic consequences and take advantage of opportunities during the recovery phase.

Stefano Cao, Chief Executive Officer, commented:

"The strengthening of the financial position and assets achieved in recent years, the timely orientation of the business towards energy transition, the size and diversification of the backlog and the suitability of the assets ensure a clear market position to Saipem. In addition, they guarantee a solid base to the strategies adopted to face the consequences of the pandemic and further future challenges and seize new opportunities to play a leading role in the recovery phase post Covid -19.

Despite the general economic context, heavily penalised by the prolonged health emergency, the execution activities of our projects around the world have progressed, within the limits posed on mobility and taking into account the reschedule of certain activities and the priority to safeguard the health of people. The backlog - considerably grown even during this difficult period - is solid and the liquidity is substantial, further strengthened by the new bond issue announced at the beginning of July."

San Donato Milanese, July 29, 2020 - 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, 2020[1].

Results for the first half of 2020:

- Revenues: €3,675 million (€4,519 million in the first half of 2019), of which €1,503 million in the second quarter
- EBITDA: €271 million (€574 million in the first half of 2019), of which €31 million in the second quarter
- Adjusted EBITDA: €355 million (€606 million in the first half of 2019), of which €115 million in the second quarter
- Operating profit (EBIT): loss of €711 million (profit of €262 million in the first half of 2019), of which a loss of €534 million in the second quarter
- Adjusted operating profit (EBIT): €42 million (€308 million in the first half of 2019), of which a loss of €41 million in the second quarter
- Net profit: loss of €885 million (profit of €14 million in the first half of 2019), loss of €616 million in the second quarter
- Adjusted net profit: loss of €132 million (profit of €60 million in the first half of 2019), of which a loss of €123 million in the second quarter
- Special Items – results for the first half of 2020: write-downs and expenses of €753 million (write-downs and re-organization expenses of €46 million in the first half of 2019), of which €493 million in the second quarter
- Capital expenditure: €195 million (€135 million in the first half of 2019), of which €136 million in the second quarter
- Net debt inclusive of IFRS 16 lease liabilities at June 30, 2020: €1,360 million (€1,082 million at December 31, 2019)
- Net debt pre IFRS 16 at June 30, 2020: €901 million (€472 million at December 31, 2019)
- New contracts: €4,837 million (€9,537 million in the first half of 2019)
- Backlog: €22,245 million (€21,153 million at December 31, 2019), reaching €25,537 million including non-consolidated companies' backlog (€24,778 million at December 31, 2019).

2020 business outlook

The market scenario remains characterised by strong uncertainty about the economic and financial prospects, because of the Covid-19 pandemic still spreading worldwide, and because of the uncertainty for the demand for oil and gas and related services. Consequently, during the period, the investment plans of the Oil Companies have been considerably downsized.

In this context, on April 15, 2020, Saipem Board of Directors has decided to withdraw the guidance announced to the market at the end of February when presenting 2019 annual results.

Despite the pandemic is still ongoing and impacting the current year, the portion of backlog to be executed in the second half of the year will allow in the second half to maintain volumes similar to the first half.

The efficiency initiatives on structure and operational costs, estimated at around €190 million in 2020, are expected in the second half to underpin a group adjusted EBITDA margin up to the level of the first six months. In addition, the reschedule of capex means a reduction of over €200 million when compared with estimates at the beginning of the year.

This outlook does not factor further and possible tangible business deterioration associated with the intensification of Covid-19.

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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*

Financial highlights

(million euro)

Q2 2019	Q1 2020	Q2 2020	Q2 2020 vs Q2 2019 (%)		First half of 2019	First half of 2020	half year 20 vs half year 19 (%)
2,363	2,172	1,503	(36.4)	Revenues	4,519	3,675	(18.7)
308	240	31	(89.9)	EBITDA	574	271	(52.8)
332	240	115	(65.4)	Adjusted EBITDA	606	355	(41.4)
144	(177)	(534)	n.s.	Operating profit (loss) (EBIT)	262	(711)	n.s.
182	83	(41)	n.s.	Adjusted operating profit (EBIT)	308	42	(86.4)
(7)	(269)	(616)	n.s.	Net profit	14	(885)	n.s.
31	(9)	(123)	n.s.	Adjusted net profit	60	(132)	n.s.
207	(111)	(219)	n.s.	Free cash flows	259	(330)	n.s.
1,043	632	901	(13.6)	Net debt pre-IFRS 16 lease liabilities	1,043	901	(13.6)
1,574	1,222	1,360	(13.6)	Net debt post-IFRS 16 lease liabilities	1,574	1,360	(13.6)
61	59	136	n.s.	Capital expenditure	135	195	44.4
7,020	917	3,920	(44.2)	New contracts	9,537	4,837	(49.3)

Revenues and associated profit levels are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules in the Engineering and Construction sector, and by contract expiry and renegotiation timing in the Drilling sector.

Reorganisation: impact on reporting

The results of the XSIGHT Division are included in the Onshore Engineering & Construction Division because the numbers still do not warrant separate disclosure, so they are not disclosed to the market separately.

Business update for 2020

Revenues in the first half 2020 amounted to €3,675 million (€4,519 million in the first half of 2019) and **adjusted EBITDA** amounted to €355 million (€606 million in the first half of 2019): both indicators, for all divisions, reflect results affected by the slowdown of projects due to the effects of the pandemic and by the postponement of certain activities, agreed with the clients.

Adjusted net profit recorded a loss of €132 million (profit of €60 million in the first half of 2019). The variation of the adjusted operating profit lowered from €308 to €42 million, with a reduction of €266 million, partially mitigated by the positive variation of €74 million, mainly generated by the improvement of the result from investments and third-party interests.

Net profit recorded a loss of €885 million (profit of €14 million in the first half of 2019) and, unlike adjusted net profit, was impacted by the following special items:

- write-downs of tangible assets of the Offshore Drilling Division for €590 million, of which €257 million had already been accounted for in the first quarter of 2020, deriving from the impairment test in consideration of the increase by 1.6 percentage points of the cash flow discount rate, in addition to the review of the plan cash flow projections and the long term rates;
- write-down of tangible assets and related working capital, as well as of the right-of-use of a third-party asset for €99 million;

- contingent liabilities for about €20 million, in relation to a pending judgement on a project already completed, deriving from the activity of periodic legal monitoring of the evolution of the overall dispute;
- costs deriving from the healthcare emergency for about €44 million. This amount includes the costs incurred in the period directly attributable to the Covid-19 pandemic, such as costs for the resources on stand-by in cases where activities at operating sites and onboard vessels were suspended by the authorities, for the purchase of personal protective equipment and devices in addition to the standard requirements, for sanitising work areas and for the organisation of charter flights to bring the personnel back home.

Net profit in the first half of 2019, amounting to a profit of €14 million, unlike adjusted net profit, was impacted by the following special items:
- write-downs and accruals for a jack up of €21 million; the asset was partially written down because it was likely to be replaced, to complete a contract in the backlog, by a leased asset from March 2020;
- reorganization expenses of €25 million.

Adjusted EBIT – EBIT reported reconciliation

(million euro)

	Offshore E&C	Onshore E&C	Offshore Drilling	Onshore Drilling	Total	
Adjusted EBIT	**17**	**23**	**13**	**(11)**	**42**	
Impairment			590		590	
Write-downs of tangible assets	40	19	13	7	79	
Write downs and accruals		7	11	2	20	(a)
Dispute settlements		20			20	(a)
Costs for Covid-19 healthcare emergency	15	14	9	6	44	(a)
Total special items	(55)	(60)	(623)	(15)	(753)	
Reported EBIT	**(38)**	**(37)**	**(610)**	**(26)**	**(711)**	

a) Special items affecting EBITDA amount to €84 million, i.e. the reconciliation of adjusted EBITDA of €355 million versus reported EBITDA of €271 million

Capital expenditure in the first half of 2020, including the acquisition of the new vessel, Norce Endeavour, amounted to €195 million (€135 million in the first half of 2019), broken down as follows:
- €124 million in Offshore Engineering & Construction;
- €5 million in Onshore Engineering & Construction;
- €33 million in Offshore Drilling;
- €33 million in Onshore Drilling.

Net financial debt pre-IFRS 16 lease liabilities at June 30, 2020 amounted to €901 million, recording an increase of €429 million with respect to December 31, 2019 (€472 million), largely due to the fact that a number of projects acquired in 2019 had achieved fully operational status, and also to the slowdown of projects due to the effects of the pandemic and the postponement of some activities agreed upon with the clients. Net debt inclusive of IFRS 16 lease liabilities (€459 million) amounted to €1,360 million.

Backlog

In the first half of 2020 Saipem was awarded new contracts amounting to a total of €4,837 million (€9,537 million in the first half of 2019). The backlog as of June 30, 2020 amounted to €22,245 million (€5,480 million in Offshore Engineering & Construction, €14,573 million in Onshore Engineering & Construction, €516 million in Offshore Drilling and €1,676 million in Onshore Drilling), of which €3,306 million to be executed in 2020.
The backlog inclusive of non-consolidated companies at June 30, 2020 amounted to €25,537 million (€5,480 million in Offshore Engineering & Construction, €17,865 million in Onshore Engineering & Construction, €516 million in Offshore Drilling and €1,676 million in Onshore Drilling), of which €3,905

million to be realized in 2020. The backlog as of June 30, 2020 is reported net of the cancellation of a contract in the Offshore Drilling Division, for €70 million.

New contracts awarded after end of period

Saipem was awarded new contracts for offshore wind farms, for a total value in excess of €90 million: on behalf of Dogger Bank Offshore Wind Farms, a joint venture between Equinor and SSE Renewables, a contract for the transport and installation of two transformer platforms at the offshore wind farm in the United Kingdom; on behalf of Seaway 7, a contract for the installation of foundations at the Seagreen offshore wind farm in Scotland; on behalf of Ailes Marines, part of the Iberdrola Group, a contract for the transport and installation of the jacket and topside of the substation for the offshore wind farm of St-Brieuc, in France.
All these offshore installation projects will be carried out by the crane vessel Saipem 7000.

Recognised impairment loss

As provided for in the impairment methodology approved by the Board of Directors on last June 30, the expected future cash flows used to estimate the recoverable amount of the individual Cash Generating Units (CGUs) are based on the best information available at the date of the review. These forecasts take account of the future expectations of the division managements in relation to the respective reference markets as well as the actual results.
In particular, according to the methodology detailed in the 2019 Statutory and Consolidated Financial Statements, published on the Saipem website, to which reference is made for more information, the cash flow estimate for the first four years of forecast expressed for the purposes of the impairment test is based on the Strategic Plan forecasts approved by the Board of Directors.
In monitoring impairment indicators, the Group has considered, among other factors, the relationship between its market capitalisation and net assets.
Specifically, the Group's market capitalisation at June 30, 2020 was lower than its net assets as of the last reporting period at March 31, 2020; this situation indicates a potential impairment of goodwill and/or of other assets. Therefore, the impairment test provided for ascertaining the recoverable amount of all the "CGUs".
The impairment test was carried out on 15 CGUs and they were: one FPSO unit (leased FPSO Cidade de Vitoria), the Offshore Engineering & Construction Division, the Onshore Engineering & Construction Division excluding the leased FPSO Cidade de Vitoria, the XSIGHT Division, the Onshore Drilling Division, and the individual rigs the Offshore Drilling Division (10 individual offshore rigs, 2 less than December 31, 2019, following the foreseen scrap of two rigs).
The CGU use value at June 30, 2020 was determined by discounting the post-tax cash flows with a discount rate, updated at the assessment date, specific for each business segment.
The cash flows employed for purposes of the impairment test were those of the 2020-2023 Strategic Plan, approved by the Board of Directors in February 2020 (hereafter "Strategic Plan"), updated using the most accurate estimates currently available and approved by the Board of Directors on July 16, 2020. Following the variations in the market context due to the Covid-19 pandemic, the EBITDA and CAPEX values of the divisions were updated, in addition to the other parameters necessary for the definition of cash flows such as the exchange rates, the envisaged variations in working capital, the tax rate and the financial charges.
The updated flow estimates related to the cash flows of the 2020-2023 Strategic Plan for all divisions. It should be specified that the long-term lease rates of the Offshore Drilling CGUs were redefined using the new updated reports from external sources, normally used by the Division as reference benchmarks.
The discount rates for the CGU cash flows were updated to June 30, 2020 applying the same methodology used for the test performed at December 31, 2019 and March 31, 2020, as shown in the following table:

(%)	December 31, 2019	March 31, 2020	June 30, 2020	Δ June vs March
Offshore E&C	8.2	8.5	8.6	+ 0.1
Onshore E&C	7.6	8.0	8.3	+ 0.3
XSIGHT	7.6	8.0	8.3	+ 0.3
Leased FPSO	5.7	6.6	7.2	+ 0.6

Offshore Drilling	8.2	8.2	9.8	+ 1.6
Onshore Drilling	7.9	8.4	8.9	+ 0.5

As a result of the Impairment test, on some of the CGUs of the Offshore Drilling Division, an impairment loss of €590 million was recorded, of which €257 million had already been reported in the first quarter of 2020.

With reference to the Offshore Drilling CGU, sensitivity analyses were also carried out on the weighted average cost of capital (WACC) and on the long-term rates, which represent the values that most significantly affect the test results. In particular, in the absence of any headroom, a 1% increase in WACC would determine an increase in impairment loss of approximately €55 million, while a 1% reduction in WACC would determine a decrease in impairment loss of approximately €61 million. As regards the rates, a 10% reduction in long-term rates would determine an increase in the impairment loss of €194 million, while a 10% increase in long-term rates would determine a decrease in the impairment loss of €192 million.

EMTN Programme: issue of senior bonds

On July 7, 2020, as part of the non-convertible bond issue programme known as the Euro Medium Term Note ("EMTN") Programme, Saipem Finance International BV ("SFI"), successfully placed a bond issue expiring on July 15, 2026, for €500 million.

The notes listed on the Euro MTF of the Luxembourg Stock Exchange have been purchased by institutional investors mainly in Italy, France, Germany and the UK.

The resources deriving from the issue will be used for general financial needs.

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

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Saipem's 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 Group's control. These include, but are not limited to: exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil 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), the recent Covid-19 outbreak (including its impacts on our business, our ongoing projects worldwide and our procurement chain), 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 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 '1H 2020 results presentation' banner on the home page, or through the following URL: https://edge.media-server.com/mmc/p/suq64oot

During the conference call and webcast, a presentation will be given which will be available for download from the webcast window or 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 SpA (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 34 thousand employees of 120 different nationalities.

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Analysis by business sector - Adjusted results:

Offshore Engineering & Construction

(million euro)

Q2 2019	Q1 2020	Q2 2020	Q2 2020 vs Q2 2019 (%)		First half of 2019	First half of 2020	half year 20 vs half year 19 (%)
1,076	826	659	(38.8)	Revenues	1,990	1,485	(25.4)
(891)	(720)	(592)	(33.6)	Expenses	(1,662)	(1,312)	(21.1)
185	106	67	(63.8)	Adjusted EBITDA	328	173	(47.3)
(78)	(77)	(79)	1.3	Amortisation/depreciation	(148)	(156)	5.4
107	29	(12)	n.s.	Adjusted operating profit	180	17	(90.6)
17.2	12.8	10.2	10.2	Adjusted EBITDA %	16.5	11.6	
9.9	3.5	(1.8)	(1.8)	Adjusted EBIT %	9.0	1.1	
531	501	853		New contracts	2,102	1,354	

Backlog at June 30, 2020: €5,480 million, of which €1,238 million is to be realized in 2020.

- Revenues for the first half of 2020 amounted to €1,485 million, down 25.4% compared to the same period of 2019, due mainly to lower volumes recorded in North Africa, Sub-Saharan Africa and the Middle East, partly offset by the greater volumes recorded in the Caspian Sea and in Italy.

- Adjusted EBITDA for the first half of 2020 amounted to €173 million, equal to 11.6% of revenues, representing a decrease compared to €328 million, equal to 16.5% of revenues, for the same period of 2019.

- The most significant awards in the second quarter related to:

  - on behalf of Petrobras, in Brazil, a contract for the project of the pre-salt field of Búzios. The project includes the engineering, procurement, construction and installation of the Steel Lazy Wave Risers and relative flowlines between all the wells and the FPSO unit;

  - on behalf of Gaz System S.A. and Energinet.dk, co-financed by the European Union, a contract for the Baltic Pipe project that provides for the transport and installation of a gas pipeline between Denmark and Poland in the Baltic Sea;

  - on behalf of EDF Renewables, Enbridge Inc. and wpd Offshore, in France, as a joint venture with Bouygues Travaux Publics and Boskalis Fecamp, a contract for the engineering, construction and installation of 71 gravity base structures (GBS) in concrete as the basis for the Fécamp offshore wind farm.

Onshore Engineering & Construction

(million euro)

Q2 2019	Q1 2020	Q2 2020	Q2 2020 vs Q2 2019 (%)		First half of 2019	First half of 2020	half year 20 vs half year 19 (%)
1,032	1,089	680	(34.1)	Adjusted revenues	2,000	1,769	(11.6)
(965)	(1,038)	(667)	(30.9)	Expenses	(1,891)	(1,705)	(9.8)
67	51	13	(80.6)	Adjusted EBITDA	109	64	(41.3)
(18)	(20)	(21)	16.7	Amortisation/depreciation	(36)	(41)	13.9
49	31	(8)	n.s.	Adjusted operating profit	73	23	(68.5)
6.5	4.7	1.9		Adjusted EBITDA %	5.5	3.6	
4.7	2.8	(1.2)		Adjusted EBIT %	3.7	1.3	
6,283	401	2,934		New contracts	6,821	3,335	

Backlog at June 30, 2020: €14,537 million, of which €1,792 million is to be realized in 2020.

- Revenues for the first half of 2020 amounted to €1,769 million, representing a 11.6% decrease compared to the corresponding period of 2019, mainly attributable to lower levels of activity in the Middle East.

- Adjusted EBITDA for the first quarter of 2020 amounted to €64 million, equal to 3.6% of revenues, compared to €109 million, equal to 5.5% of revenues, for the same period of 2019.

- The most significant awards in the second quarter related to:

  - on behalf of Nigeria LNG Limited, mainly a subsidiary of Shell and the Nigerian State company NNPC (Nigeria National Petroleum Corporation), as a joint venture with Daewoo and Chiyoda Corporation, in Nigeria, an EPC contract for the construction of a LNG liquefaction train, as well as all the relevant utilities and port facilities for export;

  - for Rete Ferroviaria Italiana, in Italy, awarding of the second construction lot which entails completion of the civil works for the Brescia Est - Verona railway line section by the Cepav Due Consortium, along with the construction of the railway superstructure, the electricity transmission system and technologies for the entire section.

  - on behalf of Ethydco, as a joint-venture with Petrojet, in Egypt, an EPC contract for the realisation of a synthetic rubber production unit at the existing petrochemical complex in Alessandria.

Offshore Drilling

(million euro)

Q2 2019	Q1 2020	Q2 2020	Q2 2020 vs Q2 2019 (%)		First half of 2019	First half of 2020	half year 20 vs half year 19 (%)
116	130	55	(52.6)	Revenues	256	185	(27.7)
(70)	(71)	(51)	(27.1)	Expenses	(154)	(122)	(20.8)
46	59	4	(91.3)	Adjusted EBITDA	102	63	(38.2)
(23)	(28)	(22)	(4.3)	Depreciation	(53)	(50)	(5.7)
23	31	(18)	n.s.	Adjusted operating profit	49	13	(73.5)
39.7	45.4	7.3		Adjusted EBITDA %	39.8	34.1	
19.8	23.8	(32.7)		Adjusted EBIT %	19.1	7.0	
140	7	27		New contracts	354	34	

Backlog at June 30, 2020: €516 million, of which €89 million to be realised in 2020. This amount is represented net of the cancellation of a contract worth €70 million.

- Revenues for the first half of 2020 amounted to €185 million, down 27.7% compared to 2019, due mainly to the drillship S10000, which underwent class reinstatement works, and the semi-submersible rigs Scarabeo 7 and Scarabeo 9, which were respectively idle and in demob during the half year; the decrease was partly compensated by greater revenues from the full activity of the semi-submersible rig Scarabeo 5, which was idle in the corresponding period of 2019, and the jack up Sea Lion 7 which started working at the beginning of 2020.

- Adjusted EBITDA for the first half of 2020 amounted to €63 million, equal to 34.1% of revenues, compared to €102 million, equal to 39.8% of revenues, for the same period of 2019.

Vessel utilization in the first half of 2020 and the impact of programmed maintenance and idle days in 2020 are as follows:

Vessel	***1H 2020***			***year 2020***	
	under contract	***non-operating***		***non-operating***	
	(days)			***(days)***	
Semi-submersible rig Scarabeo 5	182	-		-	
Semi-submersible rig Scarabeo 7	-	182	(b)	366	(b)
Semi-submersible rig Scarabeo 8	105	77	(b)	261	(b)
Semi-submersible rig Scarabeo 9	127	55	(b)	239	(b)
Drillship Saipem 10000	95	87	(a)	87	(a)
Drillship Saipem 12000	182	-		-	
Jack up Perro Negro 2	-	182	(b)	366	(b)
Jack up Perro Negro 4	182	-		30	(a)
Jack up Perro Negro 5	182	-		153	(a)
Jack up Perro Negro 7	182	-		-	
Jack up Perro Negro 8	182	-		112	(b)
Jack up Pioneer Jindal	182	-		-	
Jack up Sea Lion 7	174	8	(a)	-	
Jack up Perro Negro 9	-	182	(a)	-	
Tender Assisted Drilling Barge	-	182	(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

Onshore Drilling:

(million euro)

Q2 2019	Q1 2020	Q2 2020	Q2 2020 vs Q2 2019 (%)		First half of 2019	First half of 2020	half year 20 vs half year 19 (%)
139	127	109	(21.6)	Revenues	273	236	(13.6)
(105)	(103)	(78)	(25.7)	Expenses	(206)	(181)	(12.1)
34	24	31	(8.8)	Adjusted EBITDA	67	55	(17.9)
(31)	(32)	(34)	9.7	Amortisation/depreciation	(61)	(66)	8.2
3	(8)	(3)	n.s.	Adjusted operating profit	6	(11)	n.s.
24.5	18.9	28.4		Adjusted EBITDA %	24.5	23.3	
2.2	(6.3)	(2.8)		Adjusted EBIT %	2.2	(4.7)	
66	8	106		New contracts	260	114	

Backlog at June 30, 2020: €1,676 million, of which €187 million to be realized in 2020.

- Revenues for the first half of 2020 amounted to €236 million, down 13.6% compared to the same period of 2019, due to lower activity in South America and the Caspian Sea.

- Adjusted EBITDA for the first half of 2020 amounted to €55 million, equal to 23.3% of revenues, a decrease compared to €67 million, equal to 24.5% of revenues, for the same period of 2019.

Average (simple) utilisation of rigs in the first half of 2020 stood at 51.3% (59.4% in the same period of 2019). Considering the technical characteristics of the fleet as the reference weights, the weighted average utilisation of rigs in the first half of 2020 amounted to 62.6% (67.9% in the corresponding period of 2019). In the region referring to Europe, the Middle East and Africa, the number of rigs in use at June 30, 2020, totalled 36. In addition, 1 unit owned by third parties was used in Congo. In Latin America, Saipem had 47 rigs installed at June 30, 2020. In addition, 2 third-party rigs were used in Peru.

Attachments:

- reclassified consolidated balance sheet, reclassified consolidated income statements by nature and function of expenses and reclassified statement of cash flow;

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€ million)

	December 31, 2019	30 June 2020
Net tangible assets	4,129	3,450
Right-of-Use assets	584	395
Intangible assets	698	698
	5,411	4,543
Equity investments	106	118
Non-current assets	**5,517**	**4,661**
Net current assets	(64)	**120**
Provision for employee benefits	(246)	**(239)**
Assets available for disposal	**-**	**-**
EMPLOYED CAPITAL, NET	**5,207**	**4,542**
Equity	**4,032**	**3,132**
Non-controlling interests	**93**	**50**
Net financial debt pre-IFRS 16 lease liabilities	472	901
Lease liabilities	610	459
Net debt	**1,082**	**1,360**
FUNDING	**5,207**	**4,542**
Leverage post-IFRS16 (net debt/shareholders' equity including minority interest)	**0.26**	**0.43**
SHARES ISSUED AND OUTSTANDING	**1,010,977,439**	**1,010,977,439**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(€ million)

Q2 2019	Q1 2020	Q2 2020		1H 2019	1H 2020
2,363	2,172	1,503	Net sales from operations	4,519	3,675
5	1	1	Revenue and other income	6	2
(1,594)	(1,484)	(1,066)	Purchases, services and other costs	(3,084)	(2,550)
(20)	(7)	2	Net reversals (impairments) of trade and other receivables	(22)	(5)
(446)	(442)	(409)	Payroll and related costs	(845)	(851)
308	**240**	**31**	**GROSS OPERATING PROFIT (LOSS)**	**574**	**271**
(164)	(417)	(565)	Depreciation, amortization and impairment	(312)	(982)
144	**(177)**	**(534)**	**OPERATING PROFIT (LOSS)**	**262**	**(711)**
(47)	(60)	(35)	Financial expense	(101)	(95)
(34)	(8)	18	Income (loss) from investments	(38)	10
63	**(245)**	**(551)**	**PROFIT (LOSS) BEFORE TAXES**	**123**	**(796)**
(47)	(22)	(52)	Income taxes	(77)	(74)
16	**(267)**	**(603)**	**PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS**	**46**	**(870)**
(23)	(2)	(13)	Net profit (loss) attributable to non-controlling interests	(32)	(15)
(7)	(269)	**(616)**	**NET PROFIT (LOSS)**	**14**	**(885)**
157	**148**	**(51)**	**CASH FLOW (net result + depreciation and amortization)**	**326**	**97**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(million euro)

Q2 2019	Q1 2020	Q2 2020		1H 2019	1H 2020
2,363	2,172	1,503	Net sales from operations	4,519	3,675
(2,081)	(2,173)	(1,849)	Production costs	(3,972)	(4,022)
(50)	(82)	(106)	Idle costs	(108)	(188)
(38)	(42)	(40)	Selling expenses	(76)	(82)
(8)	(7)	(8)	Research and development expenses	(14)	(15)
4	-	(2)	Other operating income (expenses), net	2	(2)
190	**(132)**	**(502)**	**CONTRIBUTION FROM OPERATIONS**	**351**	**(634)**
(46)	(45)	(32)	General and administrative expenses	(89)	(77)
144	**(177)**	**(534)**	**OPERATING PROFIT (LOSS)**	**262**	**(711)**
(47)	(60)	(35)	Financial expense	(101)	(95)
(34)	(8)	18	Income (loss) from investments	(38)	10
63	**(245)**	**(551)**	**PROFIT (LOSS) BEFORE TAXES**	**123**	**(796)**
(47)	(22)	(52)	Income taxes	(77)	(74)
16	**(267)**	**(603)**	**PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS**	**46**	**(870)**
(23)	(2)	(13)	Net profit (loss) attributable to non-controlling interests	(32)	(15)
(7)	**(269)**	**(616)**	**NET PROFIT (LOSS)**	**14**	**(885)**
157	**148**	**(51)**	**CASH FLOW (net result + depreciation and amortization)**	**326**	**97**

RECLASSIFIED CASH FLOW STATEMENT

(million euro)

Q2 2019	Q1 2020	Q2 2020		1H 2,019	1H 2020
(7)	(269)	(616)	Net profit (loss) for the period	14	(885)
23	2	13	Non-controlling interests	32	15
			for adjustment:		
206	421	587	Depreciation, amortization and other non-monetary items	354	1,008
56	(206)	(68)	Changes in working capital related to operations	21	(274)
278	**(52)**	**(84)**	**Net cash flow from operations**	**421**	**(136)**
(61)	(59)	(136)	Capital expenditure	(135)	(195)
(18)	-	-	Investments and purchase of consolidated subsidiaries and businesses	(35)	-
8	–	1	Disposals	8	1
207	**(111)**	**(219)**	**Free cash flow**	**259**	**(330)**
-	(16)	-	Buy-back of treasury shares/Exercise of stock options	-	(16)
-	-	-	Share capital increase net of expenses	-	-
(62)	-	(10)	Cash flow from capital and reserves	(77)	(10)
(26)	(34)	(44)	Repayment of lease liabilities	(62)	(78)
(1)	1	4	Exchange differences on net borrowings and other changes	(4)	5
118	**(160)**	**(269)**	**Change in net debt before lease liabilities**	**116**	**(429)**
53	20	131	Change in lease liabilities	(531)	151
171	**(140)**	**(138)**	**Change in net debt**	**(415)**	**(278)**
1,745	**1,082**	**1,222**	**Net debt at beginning of period**	**1,159**	**1,082**
1,574	**1,222**	**1,360**	**Net debt at end of period**	**1,574**	**1,360**