Saipem S.p.A.

"9 Months 2022 Results Conference Call"

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PAOLO CALCAGNINI, CHIEF FINANCIAL OFFICER

OPERATOR: Good morning. This is the conference operator. Welcome and thank you for joining the Saipem 9 Months 2022 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mr. Alessandro Puliti, CEO. Please go ahead, sir.

ALESSANDRO PULITI: Good morning and welcome to Saipem 9 month's 2022 results presentation. I am pleased to have with me Paolo Calcagnini our CFO and to be talking to you all for the first time as Saipem Group's CEO after my appointment on August 31st.Today's session is full of positive developments both financial and operational.

I like to start with the quarterly financial as Q3 was another quarter of strong delivery with a robust growth in revenues and EBITDA. We posted revenues for €3 billion delivering a quarter-on-quarter growth of 21% and an EBITDA of €215 million, 22% higher than Q2. EBITDA growth was mainly driven by the growth of E&C Offshore EBITDA, €30 million higher than second quarter.

For the sake of comparison, these figures still include drilling onshore which having signed SPA with KCA Deutag back in May is being valorized and it is booked as discontinued operations.Net debt pre-IFRS 16 was around €9 million, trending in line with our deleveraging target. Paolo will elaborate more on this later.

In few words, Q3 results are the tangible outcome of a satisfactory delivery on existing projects, while we build our future with new contracts acquisitions. After the recent major awards announced in Qatar, the largest E&C offshore in Saipem's history, we have won year-to-date over €13 billion of new contracts.

Size matters, but most importantly mix matters. In fact, around 70% of these new works is offshore activity. We are replenishing our backlog with quality projects concentrated in our sweet spot, which has historically delivered higher margins. In summary, the company is running at full steam, which allow us to upgrade the full year guidance and you…as you will see in the next slide.

The new guidance excludes drilling onshore from revenues and adjusted EBITDA and includes around $0.5 billion of cash in coming from the first closing for the drilling onshore disposal expected by end of October.

We expect group revenues over €9 billion, after posting over €7 billion in the first 9 months. An adjusted EBITDA over €550 million. And a net debt at around €300 million including IFRS 16, and as I have said, the cash in for the first closing of the sale of the drilling onshore. This expectation on net debt reflects our working capital discipline which is strongly focused on receivables.

Before handing over to Paolo our CFO for the review of the financials, I would like to wrap up on the key elements of our performance. The market momentum is very positive as we are experiencing a super cycle. And within this cycle we are capitalizing at best along different lines particularly in the offshore.

As we said, we won over €13 billion on new award to-date, of which around 70% is offshore segment. We have 74% of our drilling offshore fleet already booked for 2023, a very good starting point for next year.

Discussion with clients are very active as we speak and we are confident on our ability to take on even more work. And most importantly, we had no idleness of our key E&C vessels in Q3.

Third quarter performance saw an acceleration versus Q2 starting from revenue which hit €3 billion mark, the highest level since 4 Quarter 2015. On offshore wind, we record the progress close to 60% of the project which had a negative impact in the fourth quarter of last year in the context of the backlog review. Moreover, we have recently completed Saint-Brieuc and Formosa 2 offshore wind projects.

On efficiencies, we are in line with our target to deliver over €150 million savings this year. And finally we are on track with the execution of our strategic plan presented in March. As in the 9 months results, we went in the right direction ahead of plan. We achieved in just 10 months around a third of the plan order intake for the E&C offshore allowing with our strategy to refocus toward higher margin segments.

Going forward, we are focused to win the best works out of a commercial pipeline of €41 billion for E&C of which around 70% again is offshore. And this is just our addressable market. The total market, it is even wider. And finally we will execute this plan with right financial flexibility which will be complemented by the cashing from the sale of the drilling onshore.

And now, Paolo, over to you for the financial results.

PAOLO CALCAGNINI: Thank you, Alessandro. Thanks everyone for joining the call today. So, before we go through the numbers, just a quick methodological premise that I already did in July. So, as you recall, we signed a binding agreement for the sale of the drilling onshore business with first closing is expected by the end of this month.

So, for these reasons, the number you see in the slides in kind of orangeish color are the drilling onshore contribution to the total. So, you will always see the 2 components with and without the drilling onshore numbers.

So, I'm referring to Page 8 with the numbers of the 9 months of 2022 vis-à-vis the same period of the previous year. What's the story behind these numbers? First, the group revenue has increased by almost 50% year-on-year with 40% of the revenues made only in the last 3 months. And this growth, we will come to that in detail later. That has been consistently robust across all the businesses of Saipem Group.

Second, message such is…the EBITDA margin was positive for more than €530 million or €450 million without the drilling onshore. This is a 7.2% EBITDA margin on revenues and more than 40% of these margins have been realized in the last 3 months, again with all the businesses delivering positive margins across all our activities.

Third that we are getting close to a break-even in terms of net result. In fact, in the last 3 months, the adjusted net result was slightly positive while it was negative in the first 6 months of the year.

Now moving to Page 9, let's have a look at the results by business line starting from E&C. I think that the key message of these numbers, using an obvious yet effective metaphor is that the tugboat of the company, it's been the offshore business.

In fact, the relative weight of the 2 E&C businesses reversed compared to a year ago. In the first 9 months of 2022, the E&C Offshore revenues weighted more than onshore, while a year ago, that number was exactly the opposite.

Now, going deeper in the E&C Offshore, which it is described in the left hand side of the slide. The business line posted the revenue of €3.7 billion up 85% year-on-year, and the highest 9 months figures since 2016. 45% of these revenues have been realized in the last quarter with a full utilization of our vessels and zero idleness of our fleet.

The adjusted EBITDA was positive for close to €300 million with a margin of 8.1% with the third quarter improving substantially versus the first 2 quarters. For your reference, the EBITDA was €65 million in Q1, €100 million in Q2 and €132 million in Q3. These results have been achieved despite the fact that as you know, the Saipem 7000 one of our most important vessels suffered a 6 weeks idleness after the accident that occurred back in April, although it's now fully operational.

Last comment on the E&C Offshore is that the positive trend is consistent across all regions. So Middle East, Sub-Saharan Africa, Americas and Euros were all performing better than in the previous 9 months of 2021.

E&C onshore, so revenues were close to €3 billion, with a double-digit increase compared to 2021. The trend in onshore activity and revenues need some explanation because it results from a mix of negative and positive factors.

As you may remember, starting from April 2021, the activities in Mozambique have been suspended. Mozambique accounted for a significant part of the 9 months 2021 revenues and margins, while the contribution in the 9 months of 2022 has been very limited. And that explain part of the difference. Likewise, although for different reasons, we terminated the activities for the Moscow refinery. And other projects in Russia are slowing down as we are exiting them, consistently with the sanctioning framework. Those projects accounted however in 2021. So when you compare the numbers, you have to keep in mind these 2 important factors. On the other hand, and this is where the good news come from, most of the remaining projects in Asia Pacific, Middle East and Sub-Saharan Africa posted a consistent growth year-on-year.

Moving to the margins, EBITDA was slightly positive by €14 million, is a significant improvement versus the minus €42 million recorded in 9 months of 2021. In this case, you have to keep in mind that the E&C Onshore is a business where the tail impact of the backlog review accounts the most, because those projects are typically longer in terms of execution. And part of the portfolio is…doesn't produce any margins because the projects under the backlog review are accounted with a margin which is zero, as long as, the project is in execution phase.

Second, that Mozambique and Russian projects have almost not contributed to the margins this year, while there was a margin in the previous 9 months of 2021. And that explains the part of the evolution of the margins.

Now, while the 9 months figures are overall encouraging, especially when compared to a year ago and keeping in mind the Mozambique and Russian effects, we are still aware that there is a lot of work to do and that 2022 will remain a challenging year for the onshore activities.

Moving to Page 10 with the drilling onshore. Revenues for the offshore drilling increased 52% year-on-year. And the EBITDA increased by 75% year-on-year, reaching €132 million in the period ended September this year. And this is a margin of roughly 32% of the revenues.

The performance comes from 2 factors, the #1 is that the fleet utilization improved. All vessels are booked for this year. And we already have 75% booking for the next…for 2023. And rates are increasing. So as soon as we renew the contracts, the margins go up. And in fact, you see that the margins are growing at a higher pace compared to the revenues.

And when you will look, it's in the appendix at the Q3 figures, just keep in mind that in Q3 we had some vessels that went under cyclical maintenance, namely Scarabeo 8 and Scarabeo 9, and that explained why the Q3 in terms of revenues was a bit lower than Q2. I won't comment the drilling onshore as the business unit will be sold in a few hours.

I'll then move to Page 11 where you see the P&L. And I want to draw your attention on a few aspects. First, the difference between reported figures and adjusted figures is limited to €37 million in terms of net result. These numbers compare to €259 million in 2021. So that means that the situation is going back to normal and COVID effects may eventually become negligible by year end. And in fact, the largest part of the nonrecurring items is made by one-off restructuring costs.

Second, that the adjusted net result for the third quarter was slightly positive for €7 million, compared to a negative result of €108 million in the previous 6 months.

Third, that the earnings before taxes was negative for €26 million in 9 months. However, it was positive for €11 million in the last 3 months. That gives you the feeling of how the P&L is changing.

Now, these results have been achieved not withstanding financial expenses that increased to €116 million in the first 9 months. This is a…has a €30 million increase compared to 2021, mostly due to the higher financing cost that we had to bear for the…during the first part of the year.

If we move to Page 12, let's have a look at the evolution of the net debt. So let me first start saying that the cash flows recorded in the third quarter are in line with our full year guidance and with our Business Plan. Overall, the net debt, including IFRS, decreased from €1.7 billion to €0.4 billion, mostly due to the proceeds of the capital increase.

But let's have a look at the cash flow evolution before the lease liabilities. This is the area highlighted in light blue in the chart at Page 12. So the net cash flows from operations before working capital and CAPEX was positive for about €120 million, driven by the positive operational results that we just highlighted in the previous pages.

The working capital was negative for €870 million. But this comes from 2 factors. The first one is that there is still some cash outflows that comes from the backlog review, while the working capital and nonmonetary items on the core activity were broadly flat.

We consider this results a remarkable achievement given the fact that the business is growing very fast and the revenues are increasing at a very high pace as we discussed before, while the working capital remain almost flat.

CAPEX amounted to €100 million, a bit higher than the previous 2 quarters. This is due to the maintenance and cash renewals made to some of our vessels namely Castoro 14, Scarabeo 8, Scarabeo 9 and Perro Negro 8. And the effect of the lease liabilities increased slightly from €310 million to €340 million, mostly due to the fact that we moved in the new headquarters in Santa Giulia. For the full year, we expect CAPEX at roughly €400 million.

Page 13, this is the last chart before I will hand over again to Alessandro. Gives you like a quick look at the debt structure and how we get from the gross to the net debt. On the left-hand side of the chart you see where the net debt figures come from. We had a gross financial debt of about €2.8 billion, and the total liquidity of around €2.7 billion, which lead to a financial net debt pre-IFRS of roughly zero. If you adapt the financial debt of the lease liabilities, roughly €340 million, the net debt post-IFRS becomes €430 million.

On the bottom-right of the slide you can see the group cash position that was €2.7 billion at the end of September, of which €1.3 billion of cash available and €1.4 billion mainly held in joint ventures. After the completion of the drilling onshore sale, the liquidity will be complemented by an additional €500 million, resulting in a pro forma liquidity of around €3.2 billion, of which €1.8 billion in terms of available cash. The average cost of debt was around 5% in the 9 months of this year.

I will now hand over again to Alessandro.

ALESSANDRO PULITI: Thank you, Paolo. I would like to start this section with an update on the execution of the offshore wind projects, our main energy transition proposition. We are recording progress in all projects, in particular for those projects that caused losses during the backlog review. In fact, they are already close to the 60% of completion. We are committed to completing those projects in line with the shadows agreed with our clients. If we broaden the analysis to the overall offshore wind segment, project's physical progress is around 80%.

Looking at the project in more details. NNG in Scotland, the jackup Blue Tern has been mobilized as per schedule and is now ready to start the drilling on the foundation. And actually, we already drilled 3 new foundation piles. First batch of 10 jackets has been delivered after being produced in our Karimun yard. And they are on site, and they are under installation. For Courseulles-sur-Mer in Normandy manufacturing is a good stage of progress in the view of the starting of the foundation piles drilling campaign.

Fécamp in Normandy has achieved an important milestone, all gravity based structures have been completed as per schedule and the final backfilling works are under execution. Saint-Brieuc and Formosa 2 have been completed in Q2 and delivered to clients. Seagreen project is progressing installation of the jackets with the Saipem 7000 Crane vessel.

Moving to the positive commercial momentum, on the first 9 months, we won €8.6 billion on new awards. And a few days ago, in October, after Q3, we had an impressive acceleration of order intake with the offshore award in Qatar worth€4.6 billion for the North Field. This is the largest offshore contract in value awarded to the company in its history. It testifies our establishing presence in the country, where we are active performing other works in the same gas field. And in this project to the 9 months order intake, we have reached over €13 billion of award year-to-date.

In particular on the E&C Offshore in the first 10 months of this year, we have already hit a third of the strategic plan, E&C Offshore target of new orders. That was summing up to €24 billion. In line with our strategy to reposition our business, around 70% of the order intake to-date is offshore, both E&C and drilling, which have historically been high margin in our mix of activities.

Furthermore, these awards are indeed concentrated in our preferred geographies and with top clients. And finally, 74% of the drilling fleet billable time for 2023 is already booked, and rates are on the rise. And these will underpin our plan implementation.

Looking at the backlog, IFRS backlog at the end of September was €22.7 billion. The non-consolidated backlog amounts to €545 million, as a result of the cancellation of a share of the 2 non-consolidated projects for the customer Arctic LNG2 in Russia, for gravity-based structure in top sites for a total amount of around €800 million.

Orderly exit from these 2 projects is ongoing, consistently with the provision and timeframe of the sanctioning framework. If we add it to the backlog, at the end of September, the recent award in Qatar, we get to the pie chart at the right end of the slide, which shows how the business is repositioning in offshore is proceeding, almost 50% is offshore versus a third at the end of last year. This backlog is well-diversified across clients and geographies.

Regarding the oil and gas super cycle, the amount of business opportunity in our radar screen for the next few quarters, has dramatically increased versus just few months ago. The E&C pipeline is worth approximately €41 billion, a 40% growth versus €29 billion at July. And within these opportunities, around 70% is E&C offshore versus 60% of July. Offshore opportunities have increased across all the geographies. Most representative value are in Africa, Middle East, and Americas. This chart is a confirmation in numbers of the super cycle we are joining, which is widening our addressable market in our target segments. And now, we'll move to the final chart before our closing remarks.

Before the closing remarks, let's have a snapshot on the drilling onshore transaction whose key terms are in the chart. The sale will bring us a total consideration of $550 million in cash, plus 10% equity stake of…in KCA Deutag combined entity, roughly €0.5 billion will be cashed-in along with a 10% stake in KCA Deutag by the end of October. By the end of March 2023,we will cash-in the remainder of the consideration.

To summarize the highlights of the first 9 months, this is the final…our final slide. We had a robust performance in third quarter with the sequential acceleration of revenues and adjusted EBITDA. This is the third good quarter in a row for our operation, allowing us to upgrade the full year 2202 guidance. The order intake to-date is strong, with over €13 billion of awards and most importantly, 70% is in the offshore high margin segments. We have accelerated the execution of offshore wind projects and the drilling onshore sale is near completion. We remain focused on the delivery of the strategic plan, supported by the tailwinds from the oil and gas super cycle.

Finally, we believe we are well on track on this strategic plan execution, and we intend to provide an update of full year at the full year 2202 presentation

Thank you, and let's start the Q&A sessions. Operator, please.

Q&A

OPERATOR: This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone, to remove yourself from the question queue, please press "*" and "2". Please pick up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Alessandro Pozzi of Mediobanca. Please go ahead.

ALESSANDRO POZZI: Hi, good morning, all. Can you hear me?

ALESSANDRO PULITI: Yes, we can hear.

ALESSANDRO POZZI: Yes. Thanks for taking my questions. First of all, congrats to Alessandro for the new roads, and also for the impressive set of results. You…we know that you are awarded…you were awarded the largest contract in Saipem's history. Can you talk about the cash flow profile, and how it's going to support revenues in the coming years? Also in terms of timing, if you can give us a bit more color on the timing of the execution of that project? And also, I think the opportunity to ask a broader question about how you manage risk for this… such large contracts in terms of execution, in terms of cost inflations, whether you have escalation clauses to offset potential increase in costs? We've seen higher cost of services this year, probably labor cost is going to increase across Saipem's industrial footprint. So if you can give us more color on that that will be well appreciated. Thank you.

ALESSANDRO PULITI: Okay. Thank you. Certainly, it is a bit of a complex answer. So many questions. Clearly, we are covered also by… as you can understand the degree of confidentiality in the contract. So I will disclose what I can, but certainly the contract is the…as you said, as we said, the most important contract won by Saipem in its history. The time span of the delivery of this project goes from the last months of this year 2022 up to the first months of 2027. And I would say that the revenues coming from this project will be…would be concentrated in the years between 2023 to 2026, with an uptick in 2023. And this is thanks to our strategy. This is substantial, let's say, cash-in from achieving milestone early in the project. This is our strategy. The project will remain definitely cash positive in all its lifespan.

In terms of execution, sure it's a large project, but we have to consider that is comprised almost too identical very large size platforms. So basically, the concept here is design 1, build 2 and this is the way we can manage that size of a project. Clearly, we will do that with our designator, contractors, but the project comprises 2 very large platform, compression platforms and pipelines.

We have also to consider that this is our bread and butter. We've always done this job, so it's a big job, but it is not new at all for Saipem, and this is the kind of job in which we do historically perform a best if we exclude the drilling offshore. So definitely, it is a very important project for Saipem, and we are sure we will deliver fine, because it is perfectly in line with our capabilities.

In terms of let's say management of the possible cost increase that may arise during a loan period like the period between 2023 and 2027 so the final delivery of the project, we agreed with our client flexibility in the contract to cover for potential cost increase and this is also allowing me also to say that most of the most important clients for Saipem are now realizing that this closest of this kind of agreement are necessary to allow EPC contractor to do their job within, let's say, sustainable financial stability.

Definitely, I repeat again, key project we will utilize for this project key assets of the Saipem fleet to deliver the installation and clearly, we already signed agreement. We keep partners for construction and fabrication. I would like to stress also that an important part of the fabrication will be done in the country to sustain the local company and this is not only a request of the client, it is also our strategy in terms of more broad sustainability of our projects.

I hope I clarified all the point you made.

ALESSANDRO POZZI: Just one on [technical difficulty] down payment…large down payments with this contract, and also when I look at your backlog breakdown for 2023, I think you have €10 billion to be executed in 2023, and I believe that is without Qatar. So potentially, there could be a substantial increase in revenues in 2023 as well. Can you confirm that?

ALESSANDRO PULITI: There is no formal down payment, but there are several short-term milestone at the achievement of which within the first months of 2023 we will start to have our receivables. So definitely, there will be in 2023 a substantial increase in our revenues.

ALESSANDRO POZZI: Okay. Yes, and how much just…how much of that is Mozambique and how much are you factoring in for Mozambique at this point?

ALESSANDRO PULITI: So now, my answer was related to the project in Qatar as it was your question at the beginning.

Regarding the Mozambique project, so we take the opportunity to clarify this point right now. So the Mozambique project as you know is currently suspended and our…this idling time is covered by the client on the cost plus scheme. The client as far the latest information we have will define…will decide the way for this project within the first quarter of

2023. This are the latest information that we got and so when this time will come, we will know more.

OPERATOR: The next question is from Massimo Bonisoli of Equita. Please go ahead.

MASSIMO BONISOLI: Good morning gentlemen and thank you for the presentation. Considering the new 2022 guidance base, the strong order intake, as well as, what you mentioned about the strong increasing revenues in 2023, and the concentration of the contract in Qatar revenues in 2023. Do you have also any new indication on the EBITDA and that trajectory over the plan period, because I feel that all these variable may have improved the trajectory of the plan. And another question is on the…what's left in terms of stake in the ends of the banks of the capital increase consortium, just to understand the overhang left on the stock?

ALESSANDRO PULITI: Okay. I will let Paolo answer into your question. Thank you.

PAOLO CALCAGNINI: Thanks for your question Massimo. So in relation to the 2023, let's call it guidance, we didn't give any guidance when we presented the Business Plan. We are not giving any guidance today. What we can share is that beginning of 2022, we will update the Business Plan and possibly update the numbers and share the numbers with the market, but it's…'23 sorry….but it is too early now days to…let's see how the year closes and then we will do the exercise. Obviously, the expectations are on the right side, because the market is going really well and we are delivering so we can be relatively optimistic, but we cannot share any numbers now a days.

Your second question is about the stick of the banks. Well, we actually don't know the numbers…the precise number of how much…how many shares are still in the banks hence. That's not a public information neither the company's access to the information. What we know is the trading volumes after a couple increase have been very robust and that let us believe that few banks have already disposed the shares and others may be in some banks have classified the stake in Saipem as a strategic investment. So they may have a longer holding period and that we don't have the precise numbers so…

MASSIMO BONISOLI: Thank you. If I may squeeze in another very quick question. Do you see in your pipeline other orders of the magnitude of the one in Qatar going forward? You mentioned CAPEX super cycle in the oil and gas. And do you have also the capacity following the order from Qatar to execute another order of this magnitude?

PAOLO CALCAGNINI: Maybe, the awards of the size Qatar, I would say that obviously, that kind of orders are orders that they normally come in a decade, no is not a very single day, but certainly on the E&C offshore both on surf and conventional we see many project comings and definitely more projects than industry capacity. So what we can say that we see our fleet certainly fully booked in the next years. And what I can tell you right now that most likely to carry out all the projects that we have in our pipeline. We will need also to rent vessels from third parties, because definitely the work we have in the pipeline exceeds our…the capacity of our fleet. So size of orders maybe not the kind of orders, but definitely number of orders that will certainly feel all our capacity to execute.

MASSIMO BONISOLI: Very clear. Many thanks.

OPERATOR: The next question is Guillaume Delaby of Societe Generale. Please go ahead.

GUILLAUME DELABY: Yes, good morning. Thank you for taking my question. Well, Alessandro you have been too many digital tax over the last 9 months. So my question is quite a good question. So when today you looked I would say of your day-to-day schedule. What is your main priority? Is it essentially commercial development? Is it restructuring on cost? Is it on project execution, or is it on accelerating your energy transition strategy or putting it in other way or putting it in a negative way, what is today your main fear and what does prevent you from sleeping at night if there is any? Thank you very much.

ALESSANDRO PULITI: So since I am a shy person what is keeping me not sleeping at night, certainly is this kind of calls with many people and being forced to answer questions. This is something that…but this is just a survey too**.** So which are my priorities in the months? Certainly is…since we are a large drilling and EPC contractors in the oil and gas and but not only in the oil and gas also in the renewables industry is to ensure project delivery, because project delivery, it is what it allows us to invoice to clients and collect the money with the service for our daily job. So, project delivery is essential together with invoicing and collecting revenues for invoicing. First point.

Second point is controlling cost. Definitely controlling costs. Cost of the structure, cost of G&A, delivering this year, we said that we are delivering our target to reduce our structural cost of €150 million, you know that we presented in the strategic plan higher ambition for the next year. So to grow up to the end of the plan to saving, consolidated saving of €300 million that we are saving. So, my next…I wouldn't say second priority, my next priority is to ensure we keep under control and under strict discipline and we rationalize the cost of our machine. We need to reduce our cost to deliver the project, to deliver the drilling while guaranteeing quality, and timely execution and HSE performances. That remains the pillar of our operational strategy. There is no success in the business without a proper HSE track record.

And so, those areas are really keeping me both awake and willing really every single day to come in the office and to fight for more than 12 hours per day to get those targets achieved. And so, if you ask me what worries me more in the night, yes, it's this….it's wakening up me in the morning and learning we had an accident, this is really making me no sleeping at night because this is the principle of all our operation. So, summarizing, delivery, HSE, collecting revenues and controlling cost.

GUILLAUME DELABY: Very clear. Thank you very much, that's it from me.

OPERATOR: The next question is from James Thompson of JPMorgan. Please go ahead.

JAMES THOMPSON: Great, thank you. Good morning. Thanks so much for the presentation. A couple questions for me. First of all, what is the…or could you update us on the latest thinking around the 2023 debt maturities, please?

ALESSANDRO PULITI: Okay. So, Paolo will provide you some color on the debt for 2023?

PAOLO CALCAGNINI: Thanks for the question, James. If you remember, the….one of the slides I went through before #13. So in 2023,we have been…big maturities, the €500 million bond maturing in September 2023. Now, it's a significant amount, however we are as we speak sitting on a €1.3 billion available liquidity and adding up the €500 million expected from the drilling onshore, first closing of the drilling onshore, it's…the number goes up to €1.8 billion. So, we can't say that we are relaxed when it comes to financial management of this company, but we have already in our hands the cash to reimburse the bond maturing in one-year, which doesn't mean that we're not going to do…we're going to go on vacation for the next year because obviously we are looking at the market and if there's going to be the right conditions then we may refinance with a bond issue, the debt expiring next year. But as you know, the last month, month and a half has been quite tricky on credit markets. And that's why we are…we have all the cash I just mentioned in our accounts, to make sure that we have enough flexibility to face whatever conditions we may see on the market next year.

JAMES THOMPSON: Okay. So no kind of major preference to reduce gross debt versus [indiscernible] at this stage?

PAOLO CALCAGNINI: Yes.

JAMES THOMPSON: So secondly, we could maybe talk a little bit around the discussions you're having for the options in the offshore drilling business in 2023? You know, you do have a significant amount of options but, you know, [indiscernible] I suppose coverage for next year is relatively light, so if you could just give us some color on your confidence around rig options being executed and other than that, a little bit more color in terms of the general kind of market conditions in pricing for offshore drilling would be pretty helpful? Thank you.

ALESSANDRO PULITI: Okay, sure. Regarding drilling offshore, I would say that the current market situation has plenty of opportunities. As we said, we have already 74% of our billable time on our fleet booked for 2023. And we are in active in I would say almost final discussion with many clients. So we see let's say new contracts definitely coming both for jackups and also for drilling ships and semis. So I'm not shy to say that if we were having a drilling ship more and a semi more for sure, we will do the sound jobs for those drilling activity in the next year. This is the current market condition.

So definitely we are heading to a full utilization for our drilling fleet in the…in 2023 and beyond. And we will also increase our drilling fleet especially on jackups because we won more contracts than the actual jackups we have. And so continuing with our asset light strategy, so renting units, we will take new units in our…at least a couple if not 3 new jackets units in our fleet to satisfy the request of our top clients. So this is the…this is market condition.

JAMES THOMPSON: Thank you. Thank you for that. And just finally from me, you know, a pretty impressive acceleration, I would say in execution on the wind projects you laid out at the top of the prepared remarks. You know, it's been a trying sort of business for you over the last couple of years but, the improvements you've seen does that change your view at all in terms of how prepared or otherwise you are to take on more offshore wind work in the near term or should we sort of assume that kind of same strategy of a much more conservative approach there, you had previously?

ALESSANDRO PULITI: Okay. Regarding offshore wind, yes, I confirm we are…clearly we have been suffering in 2021and everybody knows about it and in the backlog review. And…but now we are delivering. Now, we are delivering on the main projects. Now, if you go and see in the LNG site, you will see several jackets already installed, the borehole drilling for the foundation piles progressing. So, we had an…definitely an operational improvement. And as I said before, we are working accordingly to the new schedules agreed with the client. So, definitely, now our strategy is focused on delivering our backlog. And to be honest, we are one of the few EPC contractors that are working on all types of foundation for the offshore wind because we are working for gravity based like Fécamp. We are working for tripod [ph] types of jacket for foundation like LNG and we are preparing to deliver Courseulles [ph] with this is very large mono pile foundation.

So, we present ourselves as one of the few contractors that can do all the possible jobs here. Definitely, therefore, I repeat, we are very focused on delivering the current backlog. And regarding the future, I confirm what we said in March. We will certainly in a year, we start to accelerate and to take new orders together when we will have the availability of specialized jack-up vessel to drill and also to lay the offshore wind farms, in a more efficient way of what we've done in the past. So here, I definitely confirm the strategy presented back in March.

JAMES THOMPSON: Okay. Thank you, very much I will hand it over back.

OPERATOR: The next question is from James Winchester of Bank of America. Please go ahead.

JAMES WINCHESTER: Good morning guys. Thank you for that. 2 quick ones from me, if that's okay. The first one is on the increased EBITDA guidance. You have increased it significantly, but you kept the net debt guidance unchanged when you account for the €500 million [indiscernible] I was wondering what the reason for the high earnings not flowing through the cash flow, just to make sure I have understood that?

And then, the second one is, just to understand what's happening in offshore E&C, it looks like you caught [ph] about €0.5 billion of revenue from 2024 onwards into this quarter. So just any kind of color on that will be great? Thank you.

ALESSANDRO PULITI: Okay. I will hand over to Paolo for your answer.

PAOLO CALCAGNINI: So, it's true that the operational performance is very strong, and so you may expect a higher cash flows from the operations. However, keep in mind that the delivery on the…on the projects that were included in the back over view, actually drained cash because the costs were higher than the revenues, and they have been accounted for in 2022 in terms of provisions. But the cash out comes as you execute the projects. So it's a good news that we are going fast, because it's a de-risking of the, let's call it legacy portfolio. On the other hand, that it's a burning cash which would otherwise be produced by the rest of the business. So, these are the 2 effects, on one hand, yes, you are generating cash from the…from the, let's say, core portfolio that you are also…you are also suffering from the tail of the backlog review, and those…those effects have two opposite signs, the net is what you see in the numbers. So, all-in-all, confirming the guidance for the net…for the net debt. Maybe, you can argue that it's a net debt vis-à-vis the risk portfolio because, you are executing faster on the…on the negative margins projects?

ALESSANDRO PULITI: There was a second question on the offshore, can you just repeat it because we didn't hear very clear?

JAMES WINCHESTER: Yes, sure. And the reason of asking is that, at the end of the first half, you had €2.1 billion to be executed in the second half, you then going to print €1.6 billion in revenue this quarter, but then you have another €1.1 billion to be executed in the fourth quarter. And I can say that about €0.5 billion of future revenue is being pulled forward from 2024 onwards. So, I am kind of wondering operationally, what's happening there?

ALESSANDRO PULITI: Well, basically what's happening is that when the…when you become faster in executing the projects, there is a time lag between the moment you execute the projects and the moment you see the revenues, because you have the…your clients to accept the milestone and progress, so that you can book the revenues and invoice the client. So, there is a lag between the moment your…our best sales do the jobs to simplify and the moment when you book the revenues and invoice the clients. So, the speeding up in the revenues comes from the job that was being delivered in the first and second quarter.

JAMES WINCHESTER: Okay. And then, just to make sure I understand, does that mean the incremental earnings or revenue is going into unbilled receivables or billed receivables? Then, I will with that**?** Thank you.

ALESSANDRO PULITI: Well, it goes…a good question. It goes first into receivables and the…and then, and then we need to be as fast as we can in converting receivable in cash, which is why we made a comment before about the financial discipline in managing working capital, because as the business is growing double-digit, it would be…it would be kind of expectable to see working capital increasing because of receivables to the clients. While in fact, in the third quarter the networking capital excluding the wind projects has been close to zero, which means that basically we are working at the same pace at which we are billing and cashing in from clients.

JAMES WINCHESTER: |Okay. Thank you very much. I appreciate it.

OPERATOR: There's time for a final question from Kevin Roger of Kepler Cheuvreux. Please go ahead.

KEVIN ROGER: Yes, good morning. Thanks for taking the time. I would ask 2questions if I may. The first one is a kind of follow up on the upgraded guidance. So, basically on 2022, you have been roughly speaking, €200 million of EBITDA in the guidance, because you increased it by €50 million without removing the on shore drilling. So I was wondering, is it all related to E&C offshore and the fact that you regenerate much more revenue than expected et cetera, or it is driven also by overall businesses. And that's the first question.

And the first question is, maybe a bit ahead of the Q4 release, but because you said that there would be strategy et cetera, but if we think about the competitive environment in the E&C offshore not only for the integrating model, and you were walking with Aker Solution. It does not led to a lot of success over the past years. Now, you have Aker Solution that has joined Schlumberger and Subsea 7 in a new integrated offer, so you have TechnipFMC, Subsea 7 with 2 of [indiscernible] and you have Saipem on the side. So what's your view in the E&C offshore in terms of competitive approach, and what you can do to reinforce your position in the integrating model? Please.

PAOLO CALCAGNINI: Okay. I'll take the first questions and let Alessandro answer the second. So, in terms of guidance, the answer is that the increase in the guidance comes from all the businesses. So, in terms of results the 3 businesses out of the 4, the fourth being the drilling onshore, are contributing positively to the review of the guidance. It's clear, however that the…big part of the benefits come from the E&C offshore, because it's a largest business line in terms of revenues and margins, that if you could look at a buildup of the…of the new guidance, the positive contribution comes also from drilling offshore and E&C onshore as well. So, it's consistent across all businesses.

I leave the question on a competitive landscape to Alessandro.

ALESSANDRO PULITI: Okay, as I said before, we are in…we are in a situation in which for the E&C offshore certainly, the demand is higher than the capacity that the main contractor can make available to serve the clients. So, we have to put our strategy in the…in this framework, very different to the framework was actual one year ago or even worst couple of years, couple of years ago. And as I said before, in several situation to satisfy and to…to carry out the job, even the entire utilization of our fleet is not enough, and we have to partner with…with some of our competitors to be honest. But here, we are very happy and proud to have signed more than one year ago, now in alliance with the TechnipFMC which provide access to EPCI market and direct award with clients and market where TMC E&C, TechnipFMC is definitely a leader. We are very happy to work together and the relation is strong, and we are working together in many, integrated projects. So this is the way we are addressing the current market situation, and we are, let's say, joining forces with our…with competitors than our becoming partners to satisfy the market demand, and I believe that this kind of partnership they would become stronger and stronger in the next months.

KEVIN ROGER: Okay. Thanks a lot for that.