# Saipem S.p.A.

# "Full Year 2022 Results Presentation Call"

## Tuesday, February 28, 2023, 10:30 ITA Time

MODERATORS: ALESSANDRO PULITI, CHIEF EXECUTIVE OFFICER
PAOLO CALCAGNINI, CHIEF FINANCIAL OFFICER

OPERATOR: Good morning. This is the conference operator. Welcome and thank you for joining the Saipem Full Year 2022 Results Presentation. 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 full year 2022 results presentation. I'm pleased to have with me Paolo Calcagnini, CFO, and our Chief Operating and Commercial Officers.

Today's session is on the results of last year and includes a strategy update. Starting with quarterly financials, Q4 was another quarter of strong delivery with a robust growth in revenues, plus 72% year-on-year, and an adjusted EBITDA at €150 million, driven by our offshore businesses. For the sake of comparison, these figures no longer include drilling onshore, which was booked as discontinued operations and disposed to KCA Deutag at the end of October last year.

Order intake in the quarter was robust at €6 billion, contributing to an extraordinary full year order intake of around €14 billion. Book-to-bill in full year was 1.4 times.

Finally, financial net debt, pre-IFRS 16 was negative by €56 million. For this reason, we indicated it as net cash. After lease liabilities, we closed at the end of December with a net debt of €264 million, slightly better than our guidance of around €300 million. In few words, Q4 results are the outcome of a continuous delivery on existing backlog, while we built our future with new contracts acquisition, the bulk of which in offshore.

Before handing over to Paolo for the review of the financials, I would like to wrap-up the delivery of our strategy, which as you recall was presented last year in March.

As you can see from the slide, we delivered on all the promises we made. Revenue growth was very strong with €10 billion revenues in the full year growing by over 50% versus 2021. We returned to profitability with an adjusted EBITDA very close to €600 million, delivering on our guidance also thanks to well over €150 million of cost efficiencies delivered during the year.

As I said earlier, also the net debt at year end delivered on the target. In terms of order intake, our record award at around €14 billion was over 70% in offshore, both in engineering and construction and drilling. As you will see later, the mix has visibly improved year-on-year. On the E&C onshore as promised, we remained very selective and the €3.7 billion of awards were in line consistent with the plans.

Moreover, we leveraged on offshore drilling momentum. Our fleet had zero idleness during the year and our awards leave us well-positioned in 2023 and 2024, with respectively 87% and 70% of booking already secured.

In offshore wind, we mentioned several times the phased approach in order to first complete what we have in the backlog. We actually completed 3 offshore wind projects and the remainder of the backlog is proceeding in line with the revised schedules with clients. While we keep on delivering existing backlog, we will approach the market also leveraging on the commercial agreement we have announced with Seaway7, to jointly identify bid and execute fixed wind projects.

In terms of cash action to unlock liquidity, the milestone was the drilling onshore sale for U.S., $450 million cash along with the 10% stake in KCA Deutag. And finally, on the risk in the business, we exit 2 projects in Russia and we are exiting the remaining 2, in full compliance with the sanctions.

In a nutshell, all these achievements are the results of strong commitment from the management team, which I represent and the organization, which has been able to deliver what I consider a very satisfactory performance in a challenging year.

I will now hand over to Paolo for the review of the financial of the year.

PAOLO CALCAGNINI: Thank you, Alessandro. Thanks everyone. Thanks for joining the call today. Starting from Page 8 of the documents, but before I go through the numbers, just a couple of quick reminders.

First one is that, these numbers do not include the drilling onshore anymore while they were included in the reporting of the 9 months of 2022. And second, this is the last time we will report the numbers according to the old business units, because from the first quarter of 2023 the numbers will be shown according to the new organization.

Now, moving to the numbers, the 2022…in 2022, we made an EBITDA of roughly €600 million €595 to be precise, with an EBITDA return of roughly 6% over revenues and the adjusted net result was negative for €140 million. Now, 2 comments on these numbers. The first one is that margins are still diluted by the backlog review, because those are projects whereby the margins, they contribute revenues, but they don't contribute to margins because the single project contribution to EBITDA is zero, and that explains the 6%.

The second comment is that we reported a small negative net result in Q4, this is due to 2 factors, the #1 is that we paid a bit more taxes than 1 year ago, because in many cases, we pay taxes based on withholding taxes, that means that when revenues increases, then taxes increases as well before you register profits on the projects. And the second is the results from equity investments. But I will comment on equity investments later in the presentation.

Now, moving to Page 9, let's deep dive on the business line. And let's start from E&C offshore. So the E&C offshore posted revenues for €5.1 billion in 2022. The positive trend across all regions that we recorded already in the first 9 months continued with a positive contribution across all regions where we operate our offshore business. The margin was 8.2% in 2022.

The comment that I made before regarding the effects of the backlog review apply also in offshore, as you know, that the offshore business includes also the wind activity that was impacted the most by the backlog review. The overall 2022 returned a good set of numbers in the wake of both market strength, and most important execution in line with the schedules, including offshore wind that Sandro will comment on wind execution later in the presentation.

Now, moving to the 2023 perspectives, we expect a revenue growth and EBITDA to be significant and as market demand remains strong and the weight of the backlog projects become smaller and smaller, and the execution moves on.

Now on the drilling onshore you see the…you can see that from the numbers an increase of over 40% in revenues and 50% in margins. This is due to at least 3 factors, all positive. #1, is the fleet utilization all vessels worked in 2022. Second is increasing market rates that we are consistently enjoying both in shallow waters and deep-water vessels. Third is the fact that in 2022, we started the operations of the Santorini at the end of February, and so there is a positive contribution compared to 2021 where the vessel was not in operation. And also a few other jackups that started the operation late in 2022. So they are contributing to 2022, but they will contribute even more in 2023.

You will see a small decrease in margins in the last quarter. This is due only to the fact that we had to sustain the cost for preparing all the new jackups that we…that will start or started to work or will start to work by beginning of this year or end of last year. So, we register the cost while the revenues and margins will be recorded in this year. This is to say that in 2023, we expect to have a solid improvement in both revenues and margins, and for the same reason I mentioned before, in addition to the fact that now the fleet is fully booked for this year, and we already paid for the startup cost of most of the fleet.

Now moving to Page 10, we are…you see the numbers for E&C onshore. Now, the messages here are a bit different from the other 2 businesses. For the reason being that it's a mix of positive and negative factors. Now let's start from the negatives. As you may remember, the Mozambique projects was interrupted in April 2021, and so it accounted for a significant part of 2021 revenues and margins, while the contribution in 2022 has been very limited, both in terms of revenues and margins. And second although for different reasons, we terminated all the activities in Russia during 2022, so again 2021 recorded the effects of the Russian projects while the effects on 2022 in terms of revenues and margins are close to zero. Now despite these

2 effects, so Mozambique and Russia, most of the remaining projects in the E&C particularly in the Middle East and Latin America record a very strong performance, both in terms of revenues and in terms of margins.

Now, you see a number which is close to breakeven and the reason being that E&C is the business onshore…is the business where the backlog review accounts the most in terms of relative weight, on total revenues, and thereby the result is that those projects bring the margins close to zero. But the good news is that the pace at which we are de delivering on those projects, it's significantly de-risking the portfolio of the company. Obviously, we have a better expectations for 2023, as long as, the backlog review projects wait less and less on the total business of the E&C.

Moving to Page 11, you see the P&L of the company. I think we went through the…already through the important figures with just a couple of additional comments on these numbers. #1, is that the difference between reported and adjusted figures is getting smaller and smaller. This is good news because it's a strong signal that the effects of the COVID and other non-recurring items is becoming less relevant to the total group numbers.

Second comment is that we went through it already, but it's worth going through it. Second time is that below the EBITDA, there are couple of things to keep in mind, the first one is the net financial expenses that were higher than Q3, and then higher than 2021. The reason being that, you know, the company went through an important restructuring of the…of our balance sheet. And then we delivered the entire financial package in 2022, even though the last part was signed a few weeks back. And that accounts for big part of the increase in financial expenses.

The second is that we recorded a negative result for the…from the equity investments. It's quite a few items, but the biggest part being the closure of the Russian…of the Russian activities.  We had 4 projects, 2 have been closed, almost 3.  And on those investments the exit recorded as small loss that weights on Q4 numbers.

Now, moving to the cash flows and net debt evolution.  So, I'm referring to Page 12 of the presentation.  You will see a bridge between the net debt at the end of September, the net debt at the end of December.  And I think it's worth highlighting the area in blue in this chart, and especially the first 2 items that are the net results and the evolution of the working capital, because if you sum up these 2 numbers, the €75 million and the €47 million, you get a positive cash flows from the operations of roughly €120 million.

Now, this number includes all the effects of the backlog review that were roughly €150 million in Q4, and the reversal of the advanced payments. Now, the reason why I'm mentioning these 2 factors is because, you know, that the backlog review was accounted for in 2021, but the cash out is still happening, and because we…as we progressed on those projects, we use the funds that have been provisioned, but we also have the cash…the cash out to complete the works.  So, the 150 should be added to the 120, if you want to get a pro forma number.  So, getting rid of the backlog review effects.

And then here the reversal of the advanced payments and which is negative…was negative in Q4.  The reason being that the acquisition of new projects in E&C onshore which is the business where you traditionally get the advanced payments, was lower than in the previous quarters and in the previous year.  And so, by that you are…we are using the advanced payments that we got on the backlog without a replacement in full of the amount.

So, and then you have on the net debt evolution the proceeds from the drilling onshore sale, which is the €497 million you see in orange in the chart. And the CAPEX where you may remember…the CAPEX includes €220 million of the Santorini that we acquired in December 2022. But all the other effects are small...relatively small, so I wouldn't go through them. All in all, these numbers allow the company to get to a final net financial position, that was €269 million in terms of net debt; it was better than the guidance we shared in end of November.

So my last comment will be…comments will be on Page 13, where we summarized the liquidity position of the group vis-à-vis the debt maturities we will be facing in the next few years. Now, on the left side of the chart, you see the liquidity position as of December, we had 2.6...almost €2.7 billion of liquidity composed by €1.4 billion of available liquidity and €1.3 billion, which is in JVs or other countries.

And in addition to this position a few weeks ago, we signed 2 new facilities. The first one is a new RCF for roughly €500 million. And the second is a term loan of €390 million, which is 70% guaranteed by the Italian Export Credit Agency. While on maturities and these are…this is…these are credit lines available for the group. We're just waiting for the Ministry of Decree to be signed.

On the debt maturities, on the right side on the slide, you will see that we will have maturities for roughly €800 million this year and less than €100 million in 2024. So what...I guess that the key message of this chart is that we see the liquidity position to be very healthy and very adequate to face the maturities for the next at least 24 months. But if you look at the numbers, we can be even more optimistic about the maturities where we have already covered to the financing signed so far. And we also believe that the improvement in the credit rating is reflecting the better perspectives in terms of financial strength of our group.

Alessandro, back to you.

ALESSANDRO PULITI: Thank you, Paolo. Moving on to the business performance, I want to draw your attention to the last year positive commercial momentum and the relevant order intake that we have been mentioned earlier. The bulk is offshore, which have historically been high margin. And the level of awards has been so meaningful that in full year 2022, we have already achieved over 1/3 of the acquisition expected in the 2022-2025 plan. We can call it a good start.

Looking at the next slide, last year, we increased the backlog from €23 billion to €24 billion. Within the €24 billion, the nonconsolidated backlog amounts to less than €400 million as a result of the cancellation during 2022 of around €800 million of the 2 nonconsolidated project for Artic LNG 2 in Russia. The orderly exit from these 2 projects is ongoing, consistently with the provisions and the time frame of the sanctioning framework.

There is a clear trend in our backlog. We went from 34% offshore at the end of 2021 to over 50% at year-end 2022, including both Engineering and Construction and Drilling. This trend is fully in line with our strategy and also reflects our strategic decision to dispose the drilling onshore business. Our backlog is well diversified across geographies, with large exposure to national oil companies, which not only have been quite resilient in their spending during the downturn, but also are expected to keep deploying their robust CAPEX plans in the near future.

And now, I would like to provide an update on the offshore wind projects currently in backlog. We are committed to complete these projects in line with the schedules agreed with the clients, and we are progressing well along this way. In fact, the overall physical progress at the end of last year was around 85%. Briefly, Saint-Brieuc T&I, Formosa 2 and Fecamp projects are completed.

On Seagreen, we have installed 106 jackets over a total of 114. The fabrication of the 2 OSS jacket for Dogger Bank project has been completed. The jackets are now sailing to the North Sea, and the offshore installation will start late March.

In Scotland, the work on the foundation for NNG is progressing. The first batch of 10 jackets has been delivered and installed offshore. And the 2 new substations are now both installed. Further 10 jackets have already reached the North Sea, while additional 14 are on their way. Finally, the manufacturing of monopiles at the Courseulles-sur-Mer in Normandy is at good stage of progress in view of the installation campaign in late this year.

Before moving to the strategic update, let's see what's next in terms of commercial opportunities for the next few quarters. We have in front of us a meaningful volume of near-term opportunities worth €51 billion, with a 24% growth versus €41 billion we projected at the end of October last year. And within these opportunities, around 65% is Offshore, which we like. This is the tangible sign of the solidity of the super cycle, which results in a growing addressable market for us.

And now we move on to the strategic update. First of all, I would like to highlight that we are progressing along the Strategic Plan path outlined 1 year ago. How we want to do that? Through a new organization deployed last year, which is organized in the following business line. First, asset base, which includes E&C Offshore, Drilling Offshore and offshore wind. Second, but not for importance, energy carriers, which includes the E&C Onshore and finally, sustainable infrastructure and robotic and industrial solutions.

As Paolo said before, going forward from the first quarter, the reporting will follow the new organization. At the bottom of the slide, in the blue area, we have indicated the weight of the expected awards for each business line over the 2023-2026, horizon and the percentage over the total. If we do a quick math, it is clear that we expect over the period of 2023-2026, a further increase in the weight of offshore wind of offshore activity. While we are developing new segments that will contribute to increase our low carbon or net zero activities volume. I will comment more on this later.

So let's now analyze in depth the strategy for each business line. Starting from the asset-based services and in particular, for the Engineering & Construction Offshore. In this segment, we want to continue to grow, taking advantage of the positive demand cycle, strengthening our positioning in the high-margin subsea area. For the subsea, the key markets are West Africa and Guyana, while the large sized platforms in shallow water will remain our focus in the Middle East, West and North Africa.

Trunkline opportunities are more widespread worldwide, and we will go after them, including trend light, but also platforms linked to CCUS and hydrogen ammonia hubs. To secure capability to win and execute large projects, we have signed a new charter contract for our latest generation deep-water, heavy lift and pipe-lay vessel with cutting-edge capabilities. Furthermore, we want to consolidate our position in the reeling market.

In the integrated projects, we will remain commercial flexible and remain open to cooperation while strengthening commercial alliances. From this strategy, we expect an order intake over the plan horizon for Engineering & Construction Offshore of around €24 billion or 50% of the overall group volume of acquisition with the SURF more than €11 billion and conventional close to €13 billion.

Before moving a brief excursus on the concrete actions we are taking to meet our net zero targets.  A few days ago, we signed the MoU with Eni Sustainable Mobility for use biofuels on Saipem construction and drilling offshore fleets that should allow us to significantly reduce emissions.

Coming to Drilling Offshore, we want to keep on exploiting the positive market momentum.  In order to do that, we intend to further expand our capacity and rejuvenate the fleet mainly through a capital-light strategy in both deep-water and shallow water units.  With the recent investment in the Santorini and the new leases of 3 jackups and the DVD drilling ship, the average age of our fleet has been reduced to 13 years.  We are targeting an average fleet age at 11 years by 2024, which means 8 years lower than 2018 when the average age was 19 years.

In terms of geographies, we plan to strengthen our presence in the West Africa, the Norwegian market and the Mediterranean.  As of today, the fleet is already booked at 87% for the current year and 70% for the following one, which is a very promising starting point.  We plan to further improve the utilization by winning an order intake of around €2.8 billion from 2023 to 2026.

Finally, while reinforcing our position in these businesses, we remain open in considering opportunities of assets monetization, especially in the shallow water segment through agreements with financial or industrial partners.

To conclude the asset-based services, let's move to the Offshore Wind.  First and foremost, we must keep our focus on the execution of the current backlog according to the schedules agreed with the clients.  Going forward, we will be much more selective on commercial opportunities and leverage on past lessons and our capabilities to build the foundation to become a stronger player in the segment.

First of all, we will target transportation and installation and EPCI for foundation of large substations. Secondly, we are joining forces…last week we announced the commercial alliance with Seaway7 for fixed offshore wind that will leverage the complementarity of our fleets, combining Saipem heavy lifting and efficient fabrication and Seaway7 heavy lifting transportation and cable laying. This will allow us to target megaprojects with higher volumes or extra-large turbines. Furthermore, we will continue investing in floating technologies, primarily our proprietary design STAR1 an HexaFloat and exploring alliances with major shipyards to improve the EPCI proposition and better manage risk. The expected order intake of Offshore Wind is €3.6 billion or 7% of the overall acquisitions.

Coming now to energy carriers, we will be commercially selective further positioning Saipem in the energy transition, while managing the execution risk to strengthen our role in the energy transition, we will focus on LNG and gas monetization, at the same time continuing to explore partnership and M&A to enrich our portfolio of high-tech solutions. Over the plan, we will try and increase the share of recurring revenues, growing in the operation and maintenance and in the engineering services.

Finally, to drive value and manage risk of execution, the ingredients will be the following. First of all, front-end design since the very preliminary phase of engineering. Second increasing their share of cost plus and hybrid contracts over our portfolio. Third, maximizing the pre-award agreements with our suppliers and establishing partnership for securing resource availability, gaining competitiveness and enhancing the geographical presence. The expected order intake on the horizon of the plan for

Engineering & Construction Onshore is €14.4 billion or 30% of total acquisitions.

Regarding sustainable infrastructures, this is a business that in 2022 was accounted and included in the E&C Onshore, and we are now projecting in a separate…on a separate business line. First and foremost, in this business, we will leverage over 30 years of experience in railway infrastructures starting from Italy, where we want to target the National Recovery and Resilience Plan investment part expected at around €15 billion solely for strategic transportation infrastructures. Moreover, we see opportunities for high-end services in smart infrastructures and technology solutions. In parallel to targeting our domestic market, we will try and win projects internationally, thanks to our global geographic footprint. Sustainable infrastructure is expected to bring €1.6 billion in awards in the 4 year plan.

To extend the support to the energy transition and decarbonization to clients beyond the traditional oil and gas segments, we are developing industrialized solution along a variety of verticals. For carbon capture, we added to our portfolio, the Bluenzyme 200 product based on a proprietary enzyme-based capturing solution. This is an ideal solution for small and midsized emitters.

In plastic to liquid, we will invest in innovative technologies and design modular plant for chemical plastic recycling, starting from the most common PET to support utilities and waste management companies in serving the growing demand for chemically recycled PET. In hydrogen, the focus will be mainly on green hydrogen and its derivatives like green ammonia and green methanol.

Under the sea, we trust our combined solution, integrating the EPC phase with the maintenance and repair using resident drones. This will enable further cost efficiency in decarbonization efforts for all our future subsea development of energy clients. Finally, we are well positioned in the emerging market for subsea asset integrity, emergency subsea intervention and security surveillance of pipelines. All in all, for this business, we expect €1.9 billion of awards over the plan horizon.

Wrapping up, the overall order intake we are projecting for Engineering & Construction is €46 billion. 61% will be offshore. And as you know, this is high in the mix in terms of potential margins, while 39% will be onshore, lower margins, yes, but far less capital intensive. And the good thing of this order intake is that a quarter of it will be made by low to zero carbon activities, including Offshore Wind, sustainable infrastructure, plastic recycling, carbon capture and robotics and industrialized solutions.

Since we are mentioning the activities to support our clients' journey in the energy transition, I'd like to close before moving to financial targets with our plan to reduce our carbon footprint. In this diagram, you can see our journey toward net zero. We have set clear targets. I want to point out that this road map should be considered a leading picture since all actions are systematically updated, taking into account the latest development in technologies.

The road map starts with the application of existing technologies. Our initial focus will be on the retrofit of assets and improving efficiency of our operations. Moreover, a key action to achieve our targets will be the use of biofuels in particular, HVO for our vessels in partnership with our clients.

In this respect and to boost this crucial action, we have signed MoU with Eni Sustainable Mobility for the use of such fuel on our offshore fleet, in particularly in the Mediterranean Sea. This fuel can potentially lead to a reduction of emission by around 550,000 tonnes of CO2 equivalent per year or 60% of our annual Scope 1 emissions. We are positive on our ability to achieve the targets. As the more we undertake this kind of actions, the closer we get to them.

Let's now conclude with the guidance for this year and targets of the plan. In 2023, we expect revenues over €11 billion and an adjusted EBITDA of around €850 million. CAPEX are expected in the region of €550 million, driven by the preparation of the new leased vessels to meet the growing demand from customers.

Bottom line, 2023 free cash flow should be at breakeven, leading to a positive net cash position pre-IFRS 16. Post-IFRS 16, we expect a net debt at year-end at around €500 million. And the year-on-year increase will be solely due to a step-up of lease liabilities from the rental of new offshore construction vessel.

In 2025, we expect to get a double-digit adjusted EBITDA margin. For 2026, which is the last year of the plan, we expect revenues over €12 billion, adjusted EBITDA over €1.2 billion, a free cash flow higher than €600 million, a positive net cash position over €700 million post-IFRS 16. Finally, on investments, we expect a cumulative CAPEX over the full year at around €1.2 billion.

And at this point, I will turn the floor to the operator to open the Q&A session.

Q&A

OPERATOR: Thank you. 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 with Mediobanca. Please go ahead.

ALESSANDRO POZZI: Hi, good morning and thank you for taking my questions. I think it's good to see set of results. And I guess, it goes a long way in rebuilding the trust from investors after a difficult 2022. I have 2 questions from me. The first one is, can you provide more color on the pricing environment in offshore and in particular for E&C activities. I think it feels like that you're maybe getting close to full utilization capacity and possibly that will push up pricing in 2023? And maybe that's also why the reason why you've…you are leasing more vessels in the E&C segment as well? And on this point, I was wondering, within your plan, are you planning to lease more vessels going forward in order to achieve the…around €30 billion of orders in the offshore? That's the first question.

And the second question is on the backlog review. As you pointed out, you've taken all the impairments, the write-downs in '20…last year in '21, but the cash out was out in '22, but also will be out in '23 as well. So how much of the backlog review will be left at the end of 2023, in terms of cash outflow, because when I look at the capital employed, there was still a fairly large negative working capital position at the end of '22. And I guess, probably a part of it is provisions that will be reversed out in 2023. That's all from me. Thank you.

ALESSANDRO PULITI: Okay. Thank you. Thank you for your questions. So to give you more color on the E&C Offshore activity, certainly, what we can surely state is that the market demand is larger than the current capacity that all the E&C

Offshore contractor they can offer at this time. So certainly, there is a tension in the utilization of the offshore fleet. Our fleet is fully booked and projects are coming one after the other with basically zero idleness for the fleet. And this is the reason why we are leasing a new pipe lay vessel and new…this is a vessel that has both capabilities, pipe laying and also heavy lift because it is equipped with a crane of 5,000 tonnes of pulling. So this definitely will help us to serve our clients in their subsea developments that is…this is the most part of the demand that we see ahead of us. And this is the answer.

However, they will take a further vessel to support our fleet, we don't offer plans for the time being. But certainly, if the market will continue to push and push, then we will see which opportunities we will come…that will come in front of us. Certainly, the basis is what I said at the very beginning of the answer. Demand is greater than capacity generally, not only for Saipem, but for all the E&C offshore contractors.

Backlog review, what is left, end of 2023? I leave to Paolo to give you the precise number.

PAOLO CALCAGNINI: Thanks, Alessandro, for your question. So the largest part of the backlog review will be executed this year. So…and that explains why we foresee a breakeven in terms of free cash flow, even though the margins are north of €800 million. There is going to be a small bite remaining in 2024, which we are talking about less than €200 million in terms of cash out.

ALESSANDRO POZZI: Alright. Thank you. And maybe one more from me. In terms of assumptions for Mozambique for 2023, how much do you have in the backlog? And also, can you provide us maybe an update on the renegotiations for the Onshore E&C projects, because I think on one side, we have Saipem saying, look we need to have a look at the cost structure if you want to go ahead with the project. On the other, you have Total saying, hey, we don't want to be held hostage of contractors before we're starting the project. So I was wondering where we are in the negotiations of repricing for those contracts? Thank you.

ALESSANDRO PULITI: Okay. So let's start from the last point you mentioned, and even you didn't mention Mozambique, it's clear referring to Mozambique, your question, so let's call it with its name. So first of all, I would say that we expect to gradually restart the project according to the information received by our client starting from July this year, progressive restart.

Regarding the terms and condition and what Saipem has mentioned and what the client has mentioned. What we can state is that the Saipem mentioned this opportunity as the agreement on the principle for the renegotiation of certain sections of the contract has been achieved already with Total Energies. This principle and condition as agreed with Total will contribute to derisk the initial phase of the project resumption in the best interests of Saipem and Total prior the return to the fixed contract for project completion. So, we will have...we are in a situation where we will have a restart that is currently considering the new situation. We will work together with Total. And then we will continue the project later on following the agreement on a new fixed price for the project. So, this is the situation.

Then I may missing something as the first part of the question or I fully answered. Okay. Thank you.

ALESSANDRO POZZI: And sorry, just a clarification, how much do you have in the backlog for Mozambique in '23?

ALESSANDRO PULITI: Sure, the entire backlog, not just for '23, but for the entire project is $3.5 billion. We are expecting to restart, as I said in July with a pace of around $300 million per quarter.

ALESSANDRO POZZI: Alright. Thank you very much. I will turn it back.

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

JAMES WINCHESTER: Good morning. Thank you. 2 from me, please. Firstly, your 2023 guidance is implying about a 7.7% EBITDA margin. And your 2026 is about 10%. So could you provide a bit of color on what you're assuming to reach this 10% target? And the reason I ask is, because it looks relatively conservative given by this time, the majority of your offshore drilling backlog could be repriced higher with the drilling rates that we're seeing? And b) kind of your dilutive offshore E&C contracts that you won in 2020 and 2021 will have rolled off? And just on that front, what are you seeing in terms of the contracts you're bidding for today in terms of pricing for both drilling and offshore E&C. And then sorry, if I can add one final one here, similar to last year. Could you provide EBITDA to free cash flow bridge for '23? Thank you.

ALESSANDRO PULITI: Paolo, will answer you to the first part, and then I will comment on the pricing and rates.

PAOLO CALCAGNINI: Yes. So your first question was on the evolution of the EBITDA. So we shared in the guidance that we foresee a double-digit margin by 2025 and starting from 6% today and then growing over time. Now what happens in terms of EBITDA is the following that once we deliver on the legacy portfolio, calling legacy, both the backlog projects and those projects that had been acquired in a different market, so with lower margins. The more we deliver on those projects, the higher the EBITDA becomes because the relative weight of the new acquisitions becomes higher. So, you don't get the numbers wrong if you just draw a line between the 6% today and the double-digit in 2025. And you probably get numbers that are realistic from my point of view.

Now on the EBITDA bridge to cash for this year, we will have an EBITDA of €850 million, then you have to deduct around €450 million of CAPEX. And then we expect roughly, say, €190 million of financial charges, maybe a bit less than that number, and then taxes for €160 million. And most of them will be withholding taxes, so paid on revenues rather than on profits. And the remaining is working capital swings. And you get to the close to zero free cash flow that we are showing in the slide. Then inside the working capital, the...say, ordinary working capital will have a positive contribution to the cash flows, while the negative piece will come again from the backlog review, because it's mostly use of funds.

ALESSANDRO PULITI: Thank you, Paolo. I will provide you the answer regarding the drilling market evolution. Certainly, we share with you the fact that rates are increasing, especially for 7 generation deep-water units. But I would say that there is also a very...another interesting trend in the market that is regarding jackups for shallow waters, where, especially in the Middle East, where we have most of our fleet. Besides the increase of rates, we see also an important increase in terms of duration on the contracts that are offered. Believe it or not, we are currently in negotiation for a jackup, a drilling contract that has had 10 years duration with a very good rate. So, I would say that the drilling is supported by both robust rates, but also willingness of the clients, especially with the jackups to sign contracts and ensure the utilization of the unit for a very long time. To be honest, I never saw something similar in the past years. This is, I would say, is the most relevant trend in the drilling.

JAMES WINCHESTER: That's very clear. Can I just quickly check then. Does your kind of 2025 double-digit EBITDA margin take into account this uptick in drilling rates and duration or are you kind of being conservative on what you'd win? So I guess, could you see upside to the guidance?

PAOLO CALCAGNINI: Well, I'll take this. Well, the extension in terms of duration of our contracts is a derisking of our projections rather than purely increasing margins. The margins we are projecting are the best knowledge as of today in terms of commercial opportunities. But it's a good piece of news. The fact that we can get 5 years or hopefully even longer commitments by clients, because it gives us a lot of visibility on how to manage our fleet. And it makes the cash flows way more predictable than in the past.

JAMES WINCHESTER: Okay. That's very clear. Thank you.

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

GUILLAUME DELABY: Yes, good morning. Thank you for this very interesting presentation. One question, if I may. Basically, you are talking about M&A, which is basically somewhat a new word in...for Saipem. So my first question is, at this stage of the cycle or ahead of this energy transition, why rather focusing on M&A rather than, I would say capital-light partnerships? Are there some advantages which M&As can provide, which cannot be provided by partnerships and alliances?

My second question is what could be the envelope, the annual average envelope, not sure it makes a lot of sense, about which you will be using for M&A. And have you also already identified some targets? Thank you.

ALESSANDRO PULITI: Okay. So, our M&A strategy, it is an opportunistic basis and is driven mainly from...on 2 sides. The first side, as I was mentioning, will be to extract value from our drilling activities that they are growing values, and this will be certainly part, not a dismissal, but maybe a partial reduction in the total ownership of the drilling activities, and this is under consideration. And this is really to extract and anticipate part of the value that I was highlighting you before that is deriving from the high rates and the longer contract that clients are willing to sign. And this is along the path we set last year that we said we were looking after €1.5 billion of cash actions out of which €750 million were delivered in 2022, and the remaining will be delivered through the remaining of the plan. So, this is one part. Then there is also opportunities that are instead regarding improving our capabilities in delivering the project in being more effective, in being more synergic. And this is...will be evaluated on a case-by-case situation. And I don't have anything to disclose more on this matter.

Regarding the budget, whether or not there are provision inside, I would say that very clearly that the numbers you have seen, they do not include any of those actions. So, they will come when they will arrive as additive to the numbers you are seeing in the presentation.

GUILLAUME DELABY: Thank you.

OPERATOR: The next question is from James Thompson with JP Morgan. Please go ahead.

JAMES THOMPSON: Great. Good morning, gentlemen. Thanks very much for taking my call and presentation. I have got a couple, if I may. First of all, would you be able to just help us out a little bit in terms of understanding the 2023 EBITDA guide, I mean kind of, maybe some expectations by division in terms of margins? Are you assuming a kind of more positive margin in

E&C Onshore, for example? So just some color in terms of how we should think about it you know, breaking down that €850 million first of all, would be helpful if you can provide that.

PAOLO CALCAGNINI: Sure. So, in terms of business units, let's use the old business units just to make it easy. We expect the largest growth in terms of margins coming from Drilling Offshore. We went through the presentation through the Offshore...Drilling Offshore business. That's the first business that reacts to the positive cycle. And then E&C Offshore, because the projects we are getting now have higher margins than the backlog. While the E&C Onshore moves slower in terms of margins recovery for 2 reasons. Reason #1 is the length of the projects is lower...sorry, higher than E&C Offshore and reeling, obviously. So, the portfolio reacts later in terms of margin improvement. And the second is that the relative weight of the backlog review projects is higher in E&C Onshore compared to E&C Offshore, where it's mostly limited to the wind projects. And those are the 2 reasons why we expect the EBITDA increase coming mostly from Drilling Offshore and E&C Offshore in 2023.

JAMES THOMPSON: Okay. Thank you. I mean maybe this is not necessarily a question actually, but more of a quest maybe from all of us would be great now that you're sort of scaling up in the drilling business, if maybe kind of in the quarters going forward, we could have a little bit more color in terms of day rate disclosure and things like that on certain units where you are able to provide it. That would be very helpful, I think, in terms of understanding the kind of magnitude of the changes that we're expecting in this better market environment?

So the second question would be just on cash returns. I mean, obviously, the balance sheet is now repaired in good shape. You do have some significant debt maturities in '23, and obviously, there is still some of the underperforming projects to work through. But can you maybe sort of lay out the framework about how you're thinking about starting to return cash to shareholders that have stuck with you through the challenging time of last year and you know, actually….also to kind of give us confidence in that market outlook. So some sort of framework and maybe some expectations on timing about when you might start paying a dividend would be very helpful.

PAOLO CALCAGNINI: Yes. So, on the drilling business, we can share is what we...what Alessandro Puliti went through in the presentation. So we are planning to increase the number of vessels in our drilling fleet. In fact, we're already doing it and we added already 3 new jackups in...by the end of last year and beginning of this year, in addition to the Santorini and one additional deep-water drilling vessel. So, we may consider additional 2 vessels for deep-water and harsh environments this year, but we will do it only if we can match client contracts with lease agreements with the vessel owners. And this is the core of the asset-light strategy.

Now to your questions on the dividend. Now, the way we see at our financial strategy is the following. The first decision we need to make on what to do with the cash is whether there are investment opportunities that offer in terms of return and pay back a good opportunity. And to make it concrete, is the decision we made at the end of 2022. We had the opportunity to buy the Santorini. We commented the decision in the past. Just to recall, the reason why we did it is because the return was double-digit, and the payback was below 5 years. And so, we had enough visibility and fat returns that you know, brought us to decide to buy the vessel, and we will follow the same approach in the next few years. And that's the first step.

Second step is once the asset side is...the decisions on the asset side are taken, what we are going to do on the capital structure. Now to be very open, I think that we will be possibly able to define, let's call it, a dividend policy, not before 2024, because 2023, as you see from the numbers, will still be a positive year, but where we expect to get the backlog completed. And so…and by that, increasing visibility on future cash flows. In any case, this is an industry, and this is a company that still requires to deleverage the balance sheet to be able to face the challenges that this industry is posing to all players. So, we will keep deleveraging the company. We want to reach a zero net debt position and consistently solid cash flows before we decide any distribution to the shareholders. We will hopefully happen, but it's too early to give any more information or guidance on what we're going to do.

JAMES THOMPSON: Okay. That's helpful. Maybe just last one from me. On that point around the kind of strength of the balance sheet and the sort of cyclicality of the business. What's the current plan in terms of the debt maturities in '23? Do you expect to sort of pay those off at maturity or are you going to look to extend?

PAOLO CALCAGNINI: So, if you remember the numbers, we have already covered 2023 and 2024 maturities possibly a big part of the 2025 already. So, we will be very opportunistic in pushing refinancing opportunities. If the markets will allow the company to refinance the remaining part of the debt expiring in 2025, the bond expires in January 2025, we will do it, but we are not in a rush. So, we will do it if the market conditions turns to be attractive for the company. Otherwise, we are sitting on roughly €2 billion of available cash, including the 2 new facilities. And it covers a big part of the future maturities. So, we've seen during spring, if there are opportunities or not to do some early refinancing and possibly some liability management, but it will really depend on the market and it's not entirely on us. It's going to depend on interest rates, inflation, et cetera.

JAMES THOMPSON: Alright. Thanks [indiscernible].

OPERATOR: The next question is from Mark Wilson with Jefferies. Please go ahead.

MARK WILSON: Hi, good morning. I would like to ask about the Offshore Wind side of the Strategic Plan and the recent agreement with Seaway7, will you kind of focusing on that Offshore Wind, Offshore segment, although with the change of risk. Is there a difference in the installation pricing you will receive for your Offshore Wind vessels? As I imagine, there will be pretty much the same heavy lift-type vessels that could be used in oil and gas. So, is there a difference in the pricing between those 2 markets? And indeed, if there is, why do you feel you have to be in both markets? Would that suggest your market outlook suggests there is...you wouldn't be fully utilized if you just focused on oil and gas. Thank you.

ALESSANDRO PULITI: Okay. So just to give you the flavor of our...of how much is important to do Offshore Wind business. I will let...I will be very clear, our flagship vessel in terms of heavy lifting vessel, Saipem 7000 has spent almost constantly the last 3 years working 100% for the offshore wind. And the rates with which this vessel is offered are similar, at the same rates we are offering the vessel for the traditional oil and gas projects. So, there is no difference in the rates. And it is a very important market. It's a market very much developed in OECD country, especially for the North Sea and North America. This is where we see the majority of the utilization of our fleet.

Joining forces with Seaway7 in this commercial effort, it is very important because we complement both fleets. And so together, we can have a more complete offers for the client and having the possibility to be much more complete in terms of EPCI offers. For example, Saipem doesn't have, to date, capabilities for cable laying. And as you can imagine, this is very important for cables, interconnecting generator with the offshore stations.

On the other side, Subsea 7 doesn't have…Seaway7 doesn't have the lifting capabilities we do have. So, the 2 things that complement very well, very well together with the ability we developed in the last 2 years, in terms of expertise in foundations for the fixed offshore wind turbines. Moreover, we are offering also on the table of this commercial agreement, our fabrication capabilities. Just to give you an example, all the NNG jackets are built in our yard in Karimun in Indonesia. The jackets to support the offshore substations for the Dogger Bank, they have been built in Arbatax in Sardinia in our yard. So, this is the kind of offer, we are offering fabrication, expertise on foundations, heavy lifting, and we're joining with the Seaway7 capabilities in cable line and heavy transportation vessels where they are extremely, extremely good, and they have a very important fleet. So together, we will be definitely able to make competitive offers.

MARK WILSON: Okay, that's great. Thank you, very much for that. And so, as was a follow-on question then is, there has been questions and a lot of folks on this call regarding drilling and the tightness in the market and the trajectory of pricing. Could you speak to a similar trend in the heavy lift segment, particularly if the Saipem 7000 has been fully utilized on Offshore Wind in the last few years? How does that market look going forward for wind and more conventional oil and gas heavy lift? Thank you.

ALESSANDRO PULITI: But, you know, it is a different...there are 2 different...completely different markets the way they are priced to clients, while the drilling is all offered in daily rates the offshore wind, like the E&C offshore in the traditional oil and gas segment, the cost of the vessel is within the entire offer for the client. So, there is no clear and official disclosure of the daily rate of the vessel so that you can make an immediate comparison. What it is offered to the client is a total EPCI cost for the activities that are contracted.

What I can tell you is that clearly, the increasing demand on both markets, I mean, traditional subsea oil and gas and Offshore Wind are clearly putting on a strain the capacity of serving both markets. In fact, many, many companies involved, for example, for the offshore wind, are engaging plans to build new vessels for this kind of activity. This is giving you immediately the measure of the fact that the market is under strain. So clearly, overall, the marginality also of the Offshore Wind is going to growing as per effect on the tension of the market.

MARK WILSON: That's great. Thank you. I will turn it over and good luck with the coming years in the strategic plan. It is a New Year. Thank you.

OPERATOR: The next question is from Nikhil Gupta with Citigroup. Please go ahead.

NIKHIL GUPTA: Hi, congratulations on the good set of results. Most of my questions are covered. Just one on divestment, you had a €1.5 billion divestment target. And I think with the Onshore Drilling and some FPSO you have achieved like maybe more than half of it. What...is that target still holds? And what are the assets that you have identified or if we can get any announcements near term on it?

ALESSANDRO PULITI: Okay. So... last year, we presented a strategy in which we were highlighting around €1.5 billion value of what we called at that time “cash quick actions”, but that they are...they can be translated into divestments. Now as you said correctly, half of it was achieved with the action done during 2022. The most important one was the sale of the onshore drilling activity to KCA Deutag. Now for the remaining part, so we are speaking around €750 million to achieve the total target of €1.5 billion, at that time, so 1 year ago, we were envisaging a strategy based on sale and leaseback of certain units, but when we were presenting that was March 2022, financial markets that were completely different from the current one. And also, I would say, certain markets like the Offshore Drilling and the Shallow Water Drilling, they were not as booming as they are now.

So we will deliver the same amount but on a different manner, no longer on a sale leaseback base of certain units, but by partially selling equity of our shallow water, for example, drilling business or in the future, we can think also partially selling equity of the...also the deep-water drilling business. So this is the way we will deliver the promise we made last year. Definitely, we will deliver, but in a slightly different manner. And this is clearly driven by the financial condition, the markets are closing now. Today, sale & leaseback would be having no meaning clearly owing the current interest rates. While the fact that the drilling market is very robust. Clearly, the value of this activity has certainly increased compared to last year.

NIKHIL GUPTA: Thanks. That's clear. Thank you.

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

MASSIMO BONISOLI: Good morning Alessandro and Paolo. I have 2 questions. One, on your free cash flow outlook by 2026, your former 2025 plan forecast was more than €1 billion in EBITDA with more than €700 million free cash flow or free cash flow conversion of 70% with a slightly different consolidation perimeter. Current plan forecast in 2026 is €200 million more in EBITDA, while it is €100 million less in free cash flow for free cash flow conversion of 50%. So, could you give us some color on such a change in cash conversion assumption by the end of the plan?

The second question is on CAPEX, your implied average annual CAPEX over the 2024-2026 period is about €250 million, which is well below the current depreciation considering the expected volume and mix of order intake over that period. Do you believe there could be the need to increase the budget on CAPEX to follow the increased demand or maybe the business is becoming so light in terms of capital intensity? Thank you.

PAOLO CALCAGNINI: Yes. So, I'll take the free cash flow question. So, the 2025 numbers from the previous Business Plan included the Drilling Onshore business that accounted for more than €100 million of free cash flow in 2025. And this is a business we don't own anymore. So, the 2 figures are not fully comparable. And the second reason is that we had in the previous Business Plan, a robust cash flow from the Russian activities that have been closed down, due to the Russian situation. And that explains the largest part of the difference. And my comment on the 2026 free cash flow is that the risk profile underlying these cash flows is significantly lower than the previous Business Plan because of the mix of businesses in terms of geographies and client base.

Now, your second question was...Alessandro will take it.

ALESSANDRO PULITI: Okay. Regarding CAPEX and the potential need to increase CAPEX. So now the CAPEX in the plan are the CAPEX that are necessary, first of all, to maintain our fleet so all the CAPEX related to the renewal of the 5-year certification of all the vessels. And those they are coming as a sort of mandatory CAPEX. And then on top of that, we have a peak in 2023, because we have an intake in 2023 of several leased units, as Paolo was highlighting before, both in terms of jackups and also in terms of reported units that has to...that they have to be served with...although they are leased, they have to be served with an initial amount of CAPEX to make them operative and creating also a certain, for example, spare parts warehouse.

And those are the kind of CAPEX we do need. So, since we have this intake in 2023 and then in the following years, we do not envisage, in this plan, further significant intake of leased units. This is the reason why you can easily calculate then the CAPEX starting from 2024, they are less than the one in 2023. Since we have an overall for the plan of around €1.2 billion. So, this is the reason why we see this…the collage of CAPEX, but this is part of the asset-light strategy we are implementing.

PAOLO CALCAGNINI: And if I may add to your question…to your answer. You mentioned €250 million as average CAPEX over the next...I guess, you're taking 3 years. But actually, you should probably sum the 5 years, including 2022 because if you sum up all the numbers, you would get an average CAPEX of around €350 million rather than €250 million because we made CAPEX for more than €500 million in 2022, and we are planning to do around €450 million this year. So, and then the CAPEX will go down as we are not planning to buy any new vessels or invest as we are doing this year in vessels preparation for the job we are taking. So, it's more €340 million, €350 million rather than €250 million, if you want to make a fair comparison, which is, we believe, more than enough to increase in a selective way our fleet and maintain the existing fleet in operation…fully in operation.

MASSIMO BONISOLI: Very clear. Thank you very much.

OPERATOR: The last question is from Haris Papadopoulos with Bank of America. Please go ahead.

HARIS PAPADOPOULOS Hello, hi. Most of my questions have been answered. Just a quick follow-up. First one with respect to your debt maturity profile. So, I was wondering, on the back of the recent credit value and the fundamental improvement, could you perhaps see a revise for this year in terms of credit rating, but could you perhaps set a level good enough for you to come to market?

Second question, would you target invest-grade rating as part of your financial policy? And then thirdly, a follow-up again on your mid-term 2026 targets. If I remember correctly, you had a double-digit target last year when the drilling and E&C Offshore Drilling were much lower. And this is now still at 10%. Is that conservative, you think?

PAOLO CALCAGNINI: So, in terms of debt maturities, I think I made a few comments on our debt profile already a bit. As we speak, we have already enough cash to cover 2024-2025. So, what we're going to do is whether we are going to see opportunities to go to the market and possibly do some liability management, we will do it, but we are not in a rush to do it. And then especially if market conditions are not as expected.

And then your question on rating. Well, I'll be very, very open. We just went through a quite a complicated year. And so, we don't have an explicit target rating. And what I can say is that if we are focused on delivering on the plan and we're focusing on delivering this company as I shared quite a few times in our calls. And then we will see if delivering something better than the current rating is a viable option or not. You know our ratings, so especially when it comes to S&P rating, it's a big step to get to investment grade. And it takes time…It takes time because we are coming from a quite a peculiar 2022. And so, let's see quarter-after-quarter. We remain committed to increasing the financial strength and financial resilience of this company. And then as we deliver results, we will...we may consider an explicit target rating in the future. Did I answer or missing anything?

OPERATOR: So, this closes the Q&A session. Ladies and gentlemen, the conference is now over and you may disconnect your telephones.