Saipem S.p.A.

"Nine Months 2023 Results Presentation 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 Nine Months 2023 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 and General Manager. Please go ahead, sir.

ALESSANDRO PULITI: Good morning, and welcome to Saipem 9 months 2023 results presentation. I am here with our CFO, Paolo Calcagnini and with the rest of Saipem's top management team.

Starting with the highlights of the third quarter 2023. I am pleased to report that the third quarter of 2023 was another quarter of strong execution and delivery. We generated a robust revenue growth of 6% year-on-year and 9% quarter-on-quarter, driven by both our offshore and onshore engineering and construction businesses.

EBITDA growth was also strong at 26% year-on-year and 5% quarter-on-quarter, driven by all our businesses. In particular, in the third quarter of 2023, we posted the highest EBITDA since Q4 2019, and we have grown EBITDA for the 7th quarter in a row. EBITDA margin stood at 7.6% level, reflecting the progress made on E&C onshore projects.

At the end of September, we reached a record level net cash position of €125 million, also thanks to the issuance of the equity-linked bond corresponding to a net debt position post lease liabilities of €171 million.

The order intake in the third quarter was also very robust a €5.2 billion excluding Hail & Ghasha which represent a 30% increase compared to the €4 billion recorded in the second quarter, implying a book-to-bill of 1.7 times. In summary, the third quarter of 2023 was another quarter of operational and financial growth, coherent with the delivery of our Strategic Plan.

And let's now focus on what we achieved so far this far. The first point is the record level of order intake and backlog. In particular, taking into account the recent Hail & Ghasha award, the total order intake from the beginning of 2023 is close to €16 billion. The total backlog including Hail & Ghasha is currently above €30 billion, with more than 60% of the total relating to offshore activities.

This is a remarkable achievement, which reflects, on one end, the strength of the overall market, as well as Saipem ability in sizing good opportunities. In particular, the progressive shift toward offshore activity is in line with the objectives of our Strategic Plan.

The order intake of 2023 provides us a high level of visibility in terms of revenues for both 2024, for which our expected revenues are very close to be fully covered, and 2025 for which our expected revenues are $2/3^{rds}$ already covered. In the next few quarters, our vessels and the engineering capabilities will be operating close to full capacity.

The second point is that progress in the execution of legacy projects continues at sustained pace. Those projects today account in our backlog for €2.2 billion, corresponding to less than 10% of the total. We have now completed the installation of all jackets in the NNG offshore wind project. This is an important achievement of which we are particularly proud, especially considering the technical challenges encountered in the initial phase of the project.

The last point is that in late August, we have taken advantage of strong market condition by issuing a 6-year equity-linked bond, further optimizing our financial structure and extending our debt maturity.

And let's now focus a bit more on the evolution of the cash flow generation of Saipem. As you can see from the chart on the left side of the page, the operating cash flow of the last 6 months is now positive and has been the highest recorded in the last 4 years. This is true both, including and excluding cash flow impact of legacy projects that were part of the backlog review of January 2022. This is a tangible proof of our renewed focus on cash flow generation, both, at top management level, but most importantly, also at the level of each team managing the single projects.

In addition, looking at the right side of the page, you can see that after the completion of the 2022 capital increase, we have further improved our net financial position by more than €200 million, in line with the objectives of our Strategic Plan.

I will now handover to Paolo for a review of the financial results.

PAOLO CALCAGNINI: Thank you, Sandro, thanks everyone for joining the call today. I'm referring to Page 8, where we show the first 9 months 2023 results compared to the same period of 2022.

First, it's worth noting that we had no special items in the first 9 months this year, while in the first 9 months 2022 we had 30 million of non-recurring costs. As you can see, we reported a net result of €79 million recording the third quarter…for the third quarter a positive net result, in line with the second quarter of this year. This is the second positive quarter in a row, at net income level, more important, looking at the first 9 months, this is the best results since 2014. Revenues were up 19% year-on-year to €8.4 billion, EBITDA grew by 44% to €640 million.

The adjusted EBITDA has grown accordingly from 6.3% to 7.7%, notwithstanding the dilutive impact of the projects that went through the backlog review last year, whose relative weight is higher this year compared to 2022. Revenue growth has been consistent across all geographies, and supported by strong demand by our clients, a solid execution and a good supply chain management.

Now moving to the different businesses and starting from the asset base services on Page 9, which includes the offshore engineering and the offshore wind activities, revenues were €4.1 billion, this is 15% growth year-on-year. Thanks to a positive contribution of most projects across virtually all the geographies and segments.

The EBITDA stood at more than €400 million with a margin of 10% on revenues, increasing by almost 2 percentage points versus the first 9 months 2022. The key drivers are a more favourable revenue mix with a higher share of subsea activities, a solid operating performance and a higher utilization rate of the main vessels of our fleet. Alessandro will elaborate later. We are very satisfied with the progress both on oil and gas and wind offshore projects. In fact, as you may already know, we have recently completed all the offshore installation activities for the NNG Wind Offshore in Scotland.

In light of these results for the full year 2023, we confirm our forecast of revenue and EBITDA growth compared to 2022, as we are going to progress on the execution of the backlog acquired mostly during the market downturn, and with the growing contribution of projects awarded in 2023, which accounts for less than 10% for the first 9 months this year.

Moving to the drilling offshore, revenues are up 30% year-on-year, EBITDA plus 62% compared to 2022, reaching €216 million, with an EBITDA margin, which is just above 40%. The performance improvement came mainly from 2 factors: the increase of the market day-rates, especially for deep-water vessels, and the higher utilization in the first 9 months of this year. For example, the 2 semi-sub, Scarabeo 8 and Scarabeo 9, in the same period of 2022 went through the maintenance activities, and also the Perro Negro 8 didn't work at the beginning of 2022 compared to 2023.

For 2023, we confirm a solid improvement in both revenues and EBITDA margins year-on-year. Thanks to a combination of better market conditions, higher daily rates and better utilization of the fleets, including a lower impact from cyclical maintenance.

Moving to the Slide #11, where you see the energy carriers. Revenue grew by 22% year-on-year, pushed by higher volumes in the Middle East, Sub-Sahara and Africa, and Americas. But more important, this came as a consequence of the increase in the pace at which projects have been executed, and therefore, a signal of healthy operations.

On the other hand, the EBITDA margin is still over close to zero, for the reason that we already discussed several times during our quarterly presentations. First, the weight of the zero margin projects coming from the backlog review is still material on overall revenues. And second, the project duration in onshore is longer than in the offshore business, and margin recovery takes more time. For the remainder of the year, we will keep progress on the execution on the zero-margin backlog-review projects, and as such, EBITDA margin will remain relatively low.

Let's have a look at the overall P&L, which is in Page 12. As already mentioned in the first 9 months of this year, we didn't have any special items, so the reported results are equal to the adjusted results, while in 2022 we had €13 million of special items at EBITDA level, mainly related to COVID-19 costs.

Reported net results in the first 9 months 2023 was positive for €79 million. In Q3 only, we generated almost €40 million of…in net profits, in line with the positive results already achieved in Q2. This is the second quarter positive in a row at net income level, something that we hadn't seen since 2019.

Let's have a look at what happened below the EBITDA. Net financial expenses were €133 million. This is a bit higher than 2022 with…as a combination of a few components. Net interest and fees were almost in line year-on-year, while we experienced some increase in the hedging cost, especially on our exposures in US dollars. The positive results from equity investments were positive by €30 million in the first 9 months of this year, while they were negative for €24 million in the same period 2022.

Income taxes amounted to €117 million, bit higher year-on-year. This is mostly connected to the taxes that we pay as withholding taxes, mostly on revenues in certain geographies, which is a physiological trend when the business is recovering.

Moving to Slide 13, with the net debt evolution and cash flow generation, end of September, we had a net cash position of €125 million before IFRS 16, €90 million better than the previous quarter, and €70 million higher than the beginning of this year.

As for the previous quarter, in the chart, for the benefit of clarity, we've split the operating cash flow in 3 components. First, the net results plus the D&A, that was positive for more than €400 million. Second, the reduction in working capital that made a positive contribution of €138 million. And then as a third component, the cash outflow of the backlog review projects that was more than €330 million, reflecting the progress that we are making in the execution of legacy projects.

The overall operating cash flow, excluding the backlog-review, so if you like, on a normalized basis was €550 million in the first 9 months, which we see as a very promising result going forward.

Finally, CAPEX in the first 9 months amounted to almost €210 million, mainly related to fleet maintenance. We expect this figure for the remaining of the year to be in line with the guidance provided to the market. Finally, the net debt post-IFRS-16, end of September was €171 million, if you sum up the effect of the lease liabilities.

Moving to Slide 14, let's have a look at the liquidity and debt structure before handing over to Alessandro. Since the last results presentation in July, we have repaid €600 million of debts, and issued €500 million of new bonds in September. The combination of these 2 actions allow Saipem to reduce the gross debt by €100 million, and more important, extend the debt tenor by more than 1 year, while the cost of our liabilities remain substantially unchanged.

As you can see from the waterfall chart with the blue bars, our liquidity position increased in terms of debt coverage going forward, with available cash virtually able to fully meet also the 2026 maturities.

I will now hand over to Alessandro for a few comments on the commercial and operational performance.

ALESSANDRO PULITI: Thank you, Paolo. So, now we'll move to the operational update. First of all, our order intake so far this year has been particularly strong, totalling more than €15 billion. As you can see, about 2/3rds of the awards relate to our asset-based service division, accounting for €10 billion. In particular, the new projects awarded year-to-date include around €3 billion of subsea activities. Overall, the asset-based service award intake so far this year is very high in quality, and also quite diversified in terms of clients and geographies.

On energy carriers, we continue to be very selective in the acquisition of new projects. In the third quarter, we have been awarded a project for the reconversion of the Scarabeo 5 semi-submersible drilling vessel into a floating, separation and boosting plant.

The most significant award of the year is undoubtedly the Hail & Ghasha $4 billion project, in Saipem share. We will cover in more detail the Hail & Ghasha projects later in the presentation, but for the moment, please just note that its scope of work will pertain both to the asset-based services and the Energy Carriers business lines. Lastly, as far as offshore drilling activity is concerned, our pioneer Jack-Up has received an 18-month extension of its original contract.

And let's now have a look to the evolution on our backlog. We are pleased to highlight that our backlog has increased by 40% in the last 2 years. But most importantly, our backlog has progressively shifted toward E&C offshore activities, which now account for more than 54% of our total backlog, from 33% at the end of 2019. In absolute terms, our E&C offshore backlog has more than doubled in the last 2 years, and it currently stands at a record high level of €17 billion. In particular, the subsea components of such backlog currently stand at €4 billion.

And let's now focus on the recent Hail & Ghasha award. The contract was signed at the beginning of October. In particular, Saipem, in consortium with NPCC, was awarded the Package 1 of the overall development. Our share of the award accounts for $4.1 billion, which will be split approximately 45%-55% between our offshore and onshore E&C business lines.

The award is in line with Saipem's unique capability to deliver integrated onshore and offshore projects, providing its client with a single interface for complex, full-field developments. The project will also allow Saipem to further consolidate its presence in the Emirates, leveraging its existing engineering center and logistic base in Port

Khalid. Saipem expects to utilize primarily its Endeavour pipe-laying vessel for this project.

And now, let's have a look at…on our problematic backlog. In addition to winning attractive new contracts, in the last few quarters we have also steadily progressed in the execution of our legacy projects, which initially accounted for about €5 billion of backlog. They have been over time reduced by almost 60% to about €2.2 billion, currently representing less than 10% of our backlog.

As you know, this problematic backlog has represented a substantial drag in terms of financial performance in the last 2 years, but therefore completing these projects is a paramount importance for us, in order to de-risk our portfolio and further increase our profitability and cash flow generation. As far as wind offshore is concerned, the residual portion of the legacy projects refers mainly to the Courseulles-sur-Mer project in France.

In terms of E&C onshore projects, the current residual backlog is around €1.9 billion. The overall completion rate was approximately 60% at the end of September. We expect that the financial impact of this project will still affect our results until end of 2024.

And let's now focus on our wind offshore activity. As mentioned, steady progress has been made in the last 18 months. With 4 projects completed and 2 projects nearly completed. The only remaining project to be executed is Courseulles-sur-Mer in France. The project entails the design, construction and installation works for 64 foundations supporting an equivalent number of turbines. The foundation consists of large monopiles with transition pieces fabricated by Saipem in Europe and to be installed by Saipem.

The fabrication of monopiles has already been completed. We expect to start the offshore operation before year-end, starting with the activity of the jack-up vessel that will support the drilling of the foundation holes. The drilling machine is almost ready to be put into operation.

And now, let's have a closer look to the progress we made on the NNG project. We had a significant acceleration of the execution, particularly in the last 9 months. Since we last spoke in July, we have completed both the drilling activity and the pile casing for the 56 foundations of the project. In addition, we have also completed the installation of all the 56 jackets. This essentially means that we have fully completed the offshore installation campaign with only few minor pending items remaining before the project can be officially defined as completed.

Lastly, our client has recently started the installation of wind turbines generator on the tripod foundation jackets that we delivered, as you can see from the picture in the slide. I wanted to stress that the completion of the challenging NNG project was made possible by Saipem's people through the refocusing of our existing superior technical and delivery skills. We are now looking to applying the know-how and experience gained in NNG to the upcoming Courseulles project.

And let's now have a look at what we see in terms of commercial pipeline for the next few quarters. The volume of near-terms opportunities is currently worth €52 billion, relatively stable versus 3 months ago, but almost double versus last year. This confirms that the market remains very strong and active, with many opportunities to be addressed. We are confident around the robustness of the current market up-cycle of investments in the sector. Within this pool of opportunities, around 60% of it is offshore, representing a very good match with our commercial refocus toward the higher profitability segments.

And let's now turn to the final slide of the presentation. In conclusion, market conditions continue to be extremely supportive, as demonstrated by the sustained level of investment in the energy sector globally. Our backlog has reached record levels, shifting steadily toward our sweet-spot, the offshore E&C.

In particular, the order intake of 2023 provides high level of visibility in terms of revenues for both 2024 and 2025, during which our vessel and engineering capabilities will be operating close to full capacity. The execution of backlog review projects is progressing according to plan, and those projects are gradually exiting to the portfolio, in particular in the wind offshore segment. Considering the strong results posted in the first 9 months, we are today even more confident around our guidance for 2023, in particular in terms of our cash generation objectives.

This concludes our presentation, and I now will turn 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 of Mediobanca. Please go ahead.

ALESSANDRO POZZI: Yes, good morning all, and thank you for taking my questions. I have 3. The first one is on the substantial number of orders that we have seen have been awarded in 2023 across the industry. I was wondering whether there is a theme in terms of capacity constraint and what is your ability to win more work as you go into next year? I believe you mentioned that your fleet is close to full capacity in the offshore E&C. Does it mean that potentially you maybe look out for new leased vessels for next year?

The second question is on the backlog. You mentioned that revenues are almost fully covered for next year, but I don't think we have the usual breakdown of the execution year for the backlog. So, I was wondering if you can give us a bit more visibility of what the backlog could be for 2024 at the moment and also whether you have included Mozambique and potentially Qatar? Can you maybe say on Qatar what is the revenue profile of the project because I believe that on the onshore 70% of the revenues will be generated in 2025 and 2026 and I was wondering whether you have a similar profile.

And a last question, onshore E&C a substantial increase in revenues in Q3, was this an acceleration, was it somewhat expected? Thank you.

ALESSANDRO PULITI: Okay. I will start to answer to your question and then I will hand over to Paolo. So, our ability to carry on further activities and further order intake, considering the current request to the market and the capacity of deliver on the industry. So it's true what we said and what you highlighted is true that we are almost at full capacity for 2024 and we are 2/3rd of our capacity already booked for 2025.

So, the next order intake will be necessarily covering the period from 2026 to 2027 and we are seeing many opportunities coming in this period. So, what I can see for the future, we will remain fully booked almost for the next 4 years. Clearly, we have just to serve the market of the vessel as you know. We anticipated this wave, this positive wave of the market and so we took for the…in terms of offshore installation vessel, the JDS 6000 and this will start operation in a few months at the beginning of next year. So, this will be an add-on to our fleet. Again, this we took on a long-term basis and it is almost fully booked already.

We took on the drilling activity on rental basis the DVD drilling ship that is already…has already started to work in Ivory Coast in these days. So the answer is yes, we have increased our delivery capacity and we have been also taking new Jack-Ups to serve the…on the…again, on lease basis to serve the market in the Middle East that they will enter in service from now to the end of the year. We are speaking of 3 new units in the Middle East. They are all under long-term contract, so revenues are all…are assured for all the rigs and construction vessel we have been taking in the past. So that's the situation…the situation of the market.

And now, regarding the dates on the backlog, I will hand over to Paolo Calcagnini.

PAOLO CALCAGNINI: Yeah, thanks, Sandro. So, Alessandro, going to the second question on the revenue visibility by year, the reason why we didn't disclose the revenues year-by-year as we normally do is because we are still doing some planning on 2 or 3 big projects, one has been mentioned a few times, which is Hail & Ghasha and the other is obviously Mozambique where we…you know that we are discussing with the client to find a possible solution, so we will come with the revenue split as soon as we have enough visibility. But important news is that we have very strong visibility on overall revenues and level of activity for the next 2 years. So, it's only a matter of, you know, crunching the number to the last zero, not filling the capacity for the next at least 24 months.

On the onshore, the execution of the backlog, yes, we had a very aggressive plan…execution plan. And we are inline, we've been better than expected. I think that the good news is that this is happening with good results on cash level. So, the cash we are spending on the backlog which is being executed even faster than expected has not prevented the group to report positive free cash flow, which I think is the best piece of news when it comes to executing the old backlog.

ALESSANDRO POZZI: Okay, thank you. Just going back on the question about the vessels in the offshore E&C, I mean would you be happy to add more vessels on top of what you have already leased?

ALESSANDRO PULITI: We are now running really at our full capacity to manage vessel. What happened is that more than adding a new vessel beyond the JDS 6000 as I was mentioning before, what we are doing is that we will keep running in our fleet, also some vessels that are pretty old but they are still doing an excellent job like Saipem 3000 that in the previous plans was due to be disposed. Instead, we will keep it operating, so in a way this is a further addition to our expected fleet if you consider for example year 2022. So, we have not dismissed any of the vessel and one vessel that was used to…that was used to or that was deemed to be dismissed will be kept in operation.

And I may add something regarding Mozambique because we were expecting this question, so I will elaborate a bit more, compared to what Paolo has said. So the situation in Cabo Delgado has clearly improved and there are many reports proving it. We are in constant dialogue with Mozambique LNG joint venture. And we are working for the JV to close the last point open that is the final renegotiation with all subcontractors. There is some retendering on-going that would be closed very, very soon. And so, we expect that in the coming months there would be clarity around this project and so that's the situation and I am taking exactly the same words that are coming from the…our client.

ALESSANDRO POZZI: Could you restart from Q1 or is that is something for later on next year?

ALESSANDRO PULITI: I believe that we will restart in the next year for sure and now whether it would be Q1 or later is early to be said but we think that a decision will be taken in the next coming months and then you have the normal ramp-up time for these kind of projects that clearly they are not like…so which is on and off that we are…perhaps sometimes to ramp up.

ALESSANDRO POZZI: Alright. Thank you very much.

OPERATOR: The next question is from Guilherme Levy of Morgan Stanley. Please go ahead.

GUILHERME LEVY: Hi, good morning everyone. Thank you for taking my questions. I have to 2 please. The first one regarding the off-shore drilling business, and in a call earlier this year with analysts, I believe the company alluded to the possibility of partially selling equity in this division. And so, I was curious if that is to an option on the table, and if it is an option if it has advanced somehow since the beginning of the year?

And then the second question. Just a follow-up from the previous one, you mentioned that one of the projects that are still under discussion regarding the timeline for revenue execution it’s Hail & Ghasha. I was just wondering, what is the source of this negotiations at the moment, what could make Hail & Ghasha be executed earlier or later? And then given that it's implication to the whole energy carriers segment, I was just wondering if you could provide some color on how quickly could we see that impacting the EBITDA margin of this segment? Thank you very much.

ALESSANDRO PULITI: Sure, regarding the first question, and our minority stake in…basically in KCA Deutag we are currently, let's say, evaluating option, but we cannot…we cannot saying anything more than this.

Regarding instead the Hail & Ghasha the project has been awarded it does a very, very precise…very precise schedule, the work is split between within Saipem scope of work between what it has been considered…what it is considered onshore activity is 55%. And what it is considered as off-shore activity is 45%. So, this gives you the split between the 2 activities.

And just to give you more color, why there is an offshore, an onshore portion in an offshore package that it is pretty curious, why because the plant and facilities there will be built on artificial islands. So, this is the reason why there is an onshore skill and technicalities related to a project that is actually located offshore. So, there's this…there's the reason for that.

GUILHERME LEVY: Sorry, in the first one, I was actually referring to the offshore drilling segment, if the company is considering somehow any partial sale either in the shallow water or deep water division?

ALESSANDRO PULITI: Alright, you know in the shallow water certainly we are looking at opportunities.

OPERATOR: Next question is from Guillaume Delaby of Societe Generale. Please go ahead.

GUILLAUME DELABY: Yes, good morning. Thank you for disclosing in even more details than Q2 the operating cash flow losses associated with legacy projects. So, you said Paulo that legacy projects will basically be totally completed by the end of 2024? Should…so my question is, should we assume over the next 5 quarters Q4, Q1, Q2, Q3, Q4 over the next 5 quarters that those remaining legacy project will continue to remove circa €100 million per quarter of operating cash flow?

PAOLO CALCAGNINI: I think it's not the best assumption you can make because, in fact, the cash out…cash outflow for the backlog as the big part of it has already happened because it's not…it doesn't go the same proportion of the revenues. So, you can actually expect a lower absorption of cash going forward compared to the previous quarter. So, in other words, the decrease in the size of the backlog doesn't go with the same pace of the cash, which is absorbed by the backlog review projects because in fact, we had already spent the biggest part of the cash to execute those projects. So 2024, we expect the cash outflow from those projects will be significantly lower than 2023.

GUILLAUME DELABY: Thank you very much. Thank you very much. And we are, I think expecting the backlog breakdown by year in the coming weeks. Thank you very much.

OPERATOR: The next question is from Roberto Ranieri of Stifel. Please go ahead.

ROBERTO RANIERI: Yes, good morning, everyone. And thank you for taking my questions. I have a couple of questions on financials and expectation for the fourth quarter 2023. My first question is basically on Hail & Ghasha project. Again, could you give us an idea of down payment related to this project, and what the impact will be on net financial position in the fourth quarter?

And my second question on financials concerns about CAPEX we have seen the CAPEX are pretty below consensus so far. My question is on expectations, if you can give us a guidance on CAPEX for the fourth quarter 2023?

And my last question is on the environment on the offshore drilling and if you can give us an indication on the average day rates, are they steadily at the current levels? So, do you see any weakness in the coming quarters? Thank you very much.

PAOLO CALCAGNINI: So, let's start from the Hail & Ghasha. Yes, there is a down payment…there is a down payment, which is roughly 5% of the value of the contracts. Obviously, the down payment is meant to cover part of the investments and expenses that the company will face to kick-off the project. So, you cannot take the number as a net cash inflow for the entire month as you can easily imagine.

On the CAPEX, yes, it's true that we are still less than 50%, on the guidance, but keep in mind that when investments and maintenance on the fleet depends heavily on when the vessels go into the cyclical maintenance which may happen one quarter later or one quarter earlier year-on-year. So, we do confirm the guidance for the total year, also because the Scarabeo 9, will go on in cyclical maintenance Q4 this year. And so, yes…and also the constellation. So we would probably suggest that you stick to the guidance when it comes to CAPEX even though they're…they've been lower in the first 9 months.

The offshore drilling, I leave it to Alessandro.

ALESSANDRO PULITI: Okay. Regarding offshore, drilling day rates, we see a sort of stable tendency today to the increase of the day rates, both on the onshore…on the shallow water and the deep water activity. There is a sustained level of request, and we are actively participating into tender to cover further periods of our activity. So, we see basically in general terms the market has recovered, and it is steady in this recovery line. Our fleet is fully booked, and especially I would say that what we see is a trend…that is the trend of increasing the length of the contract awarded by the client.

In particular, in the Middle East, I believe that we achieved and we disclose also to the market that we had one jack-up that has been awarded a 10 years contract. This was not happening since this very long time. So, there are 2 trends in the market. Constant rise of the rate and an increase in length of the contract being offered for tender.

ROBERTO RANIERI: Thank you very much.

OPERATOR: The next question is from Peter Testa of One Investments. Please go ahead.

PETER TESTA: Hi, thank you for taking the call. I also have 3 questions. Just firstly, if you look at the…you mentioned earlier on in the asset-based services, there was an increasing proportion of the backlog being executed from the say, lower margin backlog in '23 versus '22, and any way the margins were better. I was wondering if you had a sense of what the mixed difference was between the origin of the backlog, please? First question.

ALESSANDRO PULITI: So, the main reason is the progress we had in the offshore wind, because the NNG project. We finished, just to give you an example, our offshore installation activity at least for example just 3 weeks ahead of the plan agreed with the client. So, this gives you the idea of the quality of the delivery and why we were…in a way or another, ahead of our progress that in the corresponding period we did in 2022. So, we improved our efficiency dramatically.

As you saw in the picture our ramping up of activity on NNG has been pretty steeper in the last summer and we concluded the works ahead. Then in 2023, we did also more activity on land, because all our working sites around the world they all recovered from the slowdown imposed by the pandemic, the COVID. So, now, we are working full-steam I would say everywhere. So, this is the main reason why when you compare to 2022-2023, it has been a year of higher delivery in general and in particular on those projects.

PETER TESTA: Do you have a sense of how much the mix change has happened in…between in terms of proportion of revenue booked for those projects in '23 versus '22, just so we can kind of get a sense of how…because obviously it's not…but it's negative for margins, but you're doing well anyway. So, just trying to understand the proportionality impact.

PAOLO CALCAGNINI: So, yes so compared to 2 years on the total…on the group results we had an increase from almost 20%…say 23% roughly of backlog review projects in terms of weight on the total revenues to more than 30% this year. That's one of the 2 explanations of the comment I made before on the increasing margins. This is obviously diluting the overall margins as those projects come with a zero margin.

The second explanation is the relative weight of the onshore vis-à-vis the offshore in the total revenues which increased year-on-year by, I think, roughly 3…quarter-on-quarter, so by about 3%. So, that explains why the margins…that explains my comment before on the dilution. It comes from these 2 elements. We see it as a good news, because the sooner we execute the backlog review, the quicker we will see increasing margins and cash flows.

PETER TESTA: Indeed, absolutely. And then the other question I had related to mix going forward this time. As you talked about the mix of projects won on better terms, opposed to the difficult period being, I think you said 10% or so with the revenue this year, and I was wondering if you had any sense based upon the backlog, especially again on the asset-based services. How much of that 2024 will be executed on the say newer projects one based upon your high visibility that you have?

PAOLO CALCAGNINI: Yes, got it. I don't have the precise number, but the…on the total revenues this year less than 10% was coming from orders acquired in 2023 or end of 2022. This is a percentage that will obviously increase significantly next year. I don't have the precise number, but as soon as I have it, we will share it through the IR team.

PETER TESTA: That's great. Thank you. And then the last question I had is, I was wondering if you look at your vessel options or options you have to lease in long term or acquire vessels, whether there is anything particularly outstanding that you are looking at, given the balance sheet position improving and the obviously high demand, whether there is any other particular vessel options for long-term charter or purchase that you may be looking to execute?

PAOLO CALCAGNINI: Sorry, can you repeat your questions, because well I think we last like heard 15 seconds of your…

PETER TESTA: Sure, okay. Yes, no problem. No, I was wondering if you could give any sense like you have done with the vessels recently, whether there is any other vessel options outstanding for long-term lease or purchase that you think with the balance sheet you can now take on?

PAOLO CALCAGNINI: We have options…we have options on other vessels. Yes, and let me say that most of them are deep in the money, looking at the exercise price. The decisions will follow the simple rule. If the return on the assets is higher than or I'll say double-digit…at least mid-double-digit in terms of return cash-on-cash, we may consider buying. If it's going to be lower, it's not accretive and we may decide not to do it. So, then if you're referring to the decision to buy the Santorini one year ago, was precisely made with… following these criteria basically. So, yes we have options in our hands. The asset prices are going up, and so very good to be to have those options in our hands and we will possibly execute them if the conditions remain where they were, if they even get better.

PETER TESTA: Yes, that's correct. No, thank you very much for the answers.

OPERATOR: The next question is from Richard Dawson of Berenberg. Please go ahead.

RICHARD DAWSON: Hi, good morning. Thank you for taking my questions. First question is on the Hail & Ghasha projects, and could you provide us with the sense of what the margins are like for the offshore and onshore components. Appreciate it probably likely priced at the aggregate level, but any color on those margins will be great?

And then on guidance, you've confirmed 2023 EBITDA guidance of €850 million. Consensus is cut at currently around the 890 mark. Is this sort of the level you're comfortable with? And then just a point of clarification on the CAPEX guidance. Is that 450 for the full year? Thank you.

ALESSANDRO PULITI: Okay. Margins on the Hail & Ghasha for both onshore and offshore are in line with the margins that we are considering nowadays for this kind of acquisitions. So, is high single-digit for onshore and double-digit for offshore. That's the normal margins we are applying in all our new acquisitions, following the new acquisition policy we declared when we state that we are very selecting on the offshore and we are pursuing good opportunity for the offshore. Now I leave to Paolo.

PAOLO CALCAGNINI: Yeah, on the guidance, as we said, we are even more confident that we will meet the guidance, so we know that the consensus is a bit higher, we see it as a sign of trust in this management team. And the most I can say is that we will do our best and not to disappoint investors. And on the CAPEX, I would stick to 450 as a guidance for the reasons I explained before, so we have 2 important vessels that go under the 5 year cyclical maintenance, and so we will not fall far from the 450 basically.

RICHARD DAWSON: That's very clear, thank you.

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

MARK WILSON: Okay, thank you. My first question is, I took it to be you are investigating strategic options for the shallow water part of your drilling business. Is that a fair understanding?

PAOLO CALCAGNINI: It is.

MARK WILSON: Alright, very good, thank you. And the second part of the question is regarding the legacy project to be completed in 2024, and just of your understanding of any risk associated with those? So, in the offshore wind Courseulles-sur-Mer, as I understand it that is quite a large diameter foundation drilling, quite technical operation. Is there any comfort you can give us around any risks associated within that project. And then as regards the E&C onshore, I think I heard that mainly this is related to the Coral project, is that correct, and could you just explain how that will be finished?

ALESSANDRO PULITI: So, on the legacy projects, so we…most of the executions will be performed by end of 2024, so what is the plan…we think that the provisions already made for those projects will cover the costs, the extra cost that then triggered almost 3 years ago the profit warnings, so we are confident that there is enough provisions and cash set aside to cover the full life cost to execute those projects. And by the way, they are mostly in onshore where we are confident that delivery is going smoothly, and the fact that we've been making so much revenues in onshore, in Q3 and in the first 9 months, without facing any extra cost compared to the projections is a sign that execution is going smoothly on the backlog. And, on Courseulles, I leave Sandro…

ALESSANDRO PULITI: Sure, regarding the offshore…the wind offshore project of Courseulles, we are getting ready, as I said, during the presentation to start our offshore activity by year end, with the drilling operation. The drilling machine is almost completed and in the next week, it will be assembled and mounted on the jack-up vessel. We will revert on the Courseulles projects, all the experience we gained in NNG and in all the other offshore wind projects, in particular in foundation piling and drilling of foundation holes for foundation piling.

In NNG, we drilled at the end of the day if you consider that each tripod has got 3 foundations piled, although this is different diameter, but we drilled more than 160 foundation holes. So, we have a backlog of experience that we will revert entirely on Courseulles-sur-Mer and so this is the engineering and construction mitigation of the risk of this project. Then, we have a mitigation on the schedule, because all the vessel and the equipment that is necessary to carry out the project is ready to start. So, I believe that we are on-track for the delivery of Courseulles.

MARK WILSON: Very good. Understood. Very clear. I'll hand it over. Thank you.

OPERATOR: The next question is from Kate Somerville of JP Morgan. Please go ahead.

KATE SOMERVILLE: Hi. Thank you so much for taking the questions. I have 2. Just quickly on the onshore business, I understand obviously there's a lot of zero margin contracts in there, but just in terms of the non-zero margin contracts, over the next year or so, should we expect that to improve? Just trying to understand how to look at that in 2024, and just to confirm that you haven't signed any contracts below that high single-digit watermark that you have for the new contracts?

And then the second question is just on offshore, obviously, it's been a very strong market in offshore, and your peers are talking about improving margins here. Just wondering, in terms of new contracts, what the margin difference is versus your existing mix? Thank you.

PAOLO CALCAGNINI: So, on the onshore, the new acquisitions are targeting a high single-digit margin, below those numbers we are not even bidding. This is what we see as being selective in onshore. But obviously, I mean, when it comes to the revenues, they come mostly from the old projects, so those acquired during the market downturn. So those are projects, low single-digit and significant part of the portfolio still comes from the backlog overview. So that explains the current margin.

But going forward, the targets are those I just mentioned. And when it comes to offshore, well, you see we are already making a double-digit EBITDA margin, notwithstanding the fact that in the ABSER numbers, there is still some backlog, especially coming from wind, which is diluting the overall EBITDA margin. But it's fair to expect double-digit returns in offshore, which has been historically, by the way, the performance of Saipem in E&C offshore.

KATE SOMERVILLE: Thanks. I just got a follow-up. So on the non-legacy part of your existing onshore business…low single-digit. At the moment, obviously, margins are very, very low. Just wondering as we go into next year that will…you expect those to improve at all, to more like 2%?

ALESSANDRO PULITI: Clearly, next year on the onshore, we will see progressively growing the contribution of the new projects being taken. And in particular, we can mention certainly the Perdaman project that is ramping up, the Scarabeo 5 conversion, and the Hail & Ghasha project that will…there have been all projects with significant volumes in terms of order intake that will ramp up and where the margins are in line with what Paolo just said in the high single-digit. So that's the progression we see in the quality of our offshore activity…onshore activities, sorry.

KATE SOMERVILLE: Thank you.

OPERATOR: The next question is from Daniel Thomson of BNP Paribas. Please go ahead.

DANIEL THOMSON: Hi, good morning. Thanks for taking my question. Just one on the asset base services division. You know, beginning of this year, you put out an update for your plan for order intake of around 24 billion of

'23 to '26. You obviously had a very strong year this year with 10 billion for year-to-date but as well, the pipeline has continued to be replenished. So, I was just thinking, how should we think about…should we think about 2023 as the high point for order intake in the division and then maybe we go down in '24 and '25 and '26 or is this maybe a target that you would revisit at year end in light of the strength of the offshore market. Thank you.

ALESSANDRO PULITI: So, 2023 in terms of offshore order intake certainly will be one of our highest point, but this is for a simple reason, not because we see or we envisage a market reduction in the future but also, but fundamentally because as I said, we are close to our full capacity of taking orders. So there is not much that we can grow unless we take further vessel in our fleet to carry on jobs. So that's the…that's the basis on which you can build your own expectation but then market, what it is beyond our order intake is very…it still remains very active. So that's a peak that it is not driven by…that was the maximum the market was offering. That's the peak because this is the maximum we can sell to the market.

DANIEL THOMSON: Thanks, okay. I mean, is there any ambition on increasing that capacity to take on more work, in terms of vessels or are you comfortable with the fleet as it stands.

ALESSANDRO PULITI: We are certainly constantly evaluating in the market for new vessels because as I said many times in these calls in the past quarters, if we are having more vessels, we could have taken more jobs. So we are certainly currently… constantly not currently, looking to opportunities in the market and if there is any opportunistic deal and we will have the contract for that, we will strike it for sure.

DANIEL THOMSON: Okay. Thank you.

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

MASSIMO BONISOLI: Good morning. Just 2 quick questions left from me. One on just to put into perspective your message about the full capacity utilization in 2024 as the proxy for the revenue size. Can we consider the more than 12 billion revenue targets for 2026 as a full capacity level or there could be more upside, just as an indication from you on the revenue magnitude.

And the second question on the offshore wind project opportunities pipeline, in your strategy you targeted about 25% of the €46 billion E&C planned order in-take over the 4 year plan on low carbon project, is this target still valid considered the weak return environment for the operators in the industry?

PAOLO CALCAGNINI: So on the capacity, I think that the right way to look at the current situation is to work on value rather than volume, so we don't want to grow just for the sake of growing the top line, it is more about restoring a good level of margins so we rather drop opportunities compared to taking additional work just for the sake of seeing the top line growing. And as the CEO just said, we are constantly considering opportunities to bring and offer to Saipem, but this is not going to happen on a speculative basis. So, we will possibly increase our capacity if you are sure that the increasing capacity comes fully covered by client demand, and that remains the path we are following. And for the low carbon activity Alessandro Puliti will answer.

ALESSANDRO PULITI: What we can say today for low carbon activity, as you rightly pointed out our aim was to reach at the end of the 4 year plan 25% backlog from low carbon activity. And your challenge is that there is a bit of a downturn in the offshore wind, so do we confirm it or not? I'm confirming 25% of low carbon activity, maybe with a bit of different mix, because if one side is true, then we see a bit of the slowdown in the offshore wind, especially in North Europe. But we will believe that this will soon recover as soon as the offer for the contract for this…for difference will balance the cost structure of these projects. So we deem it as a temporary situation, because is still very strong, the need of the offshore wind to satisfy the carbon reduction of all our…of all the European governments. So, this will be just matter of time for rebalancing the offer with…the offer of contract for difference with the actual cost of the offshore activity.

While we see growing another sector of the low carbon that it is everything that goes around the carbon capture, the carbon capture and storage. And I believe that you know, we have been recently awarded important initiative, for example, from Stockholm Exergi and there is also many, many activities in the pipeline around blue ammonia plant that is another sector that goes within the perimeter of the low carbon, the low carbon activity that we see growing, we see much request. So, we are pretty confident the new initiative will come in this area as well. So, 25% may be, with a slightly different mix between offshore wind and other kind of low-carbon activities like CCS and blue ammonia.

MASSIMO BONISOLI: Thank you for the comment.

OPERATOR: For any further questions, please press "*" and "1" on your telephone. The next question is from Paolo Citi of Intermonte. Please go ahead.

PAOLO CITI: Hi, good morning, just one. I have a question regarding the onshore construction segment and the backlog evolution, the order intake and commercial opportunities. If we look at the backlog, it was a…it's around €15 million in mid-2020 and [technical difficulty] around €10 million at the end of September this year [technical difficulty]?

ALESSANDRO PULITI: Hi, Paolo we cannot hear you very well. The line is very disturbed. Please repeat your question.

PAOLO CITI: Well, can you hear me now?

ALESSANDRO PULITI: You sound very, very far.

PAOLO CITI: Can you hear me now?

ALESSANDRO PULITI: Marginally better. Let's try again.

PAOLO CITI: Okay, very quickly. My question was on the onshore constructions backlog. It was at around €15 billion in the year 2020. It went rather down to around €10 billion at the end of September this year before increasing slightly again after the last contract in the Emirates. So, my question is, taking into account the current market conditions, it's realistic to expect an inversion of this trend going forward. So, an improvement and increase again or do you think you will continue to see a shift towards offshore going forward? Thanks.

PAOLO CALCAGNINI: So, I think that, I mean it's matter of being very selective so the decrease comes from the…from Saipem's new strategy when it comes to onshore which is being very selective and making sure that we can make the healthy margins on the business line. So, yes there was a decrease and that's…and it's something that…it's a fact. Now, we acquired Hail & Ghasha which is in between off and on, and so you should have added the say roughly €2 billion onto the backlog when it comes to onshore.

Going forward, you can expect a backlog somewhere between the €10 billion and €15 billion as a good proxy. So, the shift between offshore and onshore will remain at least for the foreseeable future for the reason that we see…we keep seeing very strong demand in offshore. So, we keep acquiring big contracts in offshore and the relative weight shifts consequently.

PAOLO CITI: Okay. Thank you very much.

OPERATOR: Gentlemen, there are no more questions registered at this time.

ALESSANDRO PULITI: Okay. Thank you. And this close the Q&A session and thank you everybody.