

Saipem S.p.A

"First Quarter 2023 Results Presentation Call"

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GENERAL MANAGER
PAOLO CALCAGNINI, CHIEF FINANCIAL OFFICER**

OPERATOR: Good morning. This is the conference operator. Welcome and thank you for joining the Saipem First Quarter 2023 Results Presentation. 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: Thank you, and good morning and welcome to Saipem first quarter 2023 results presentation. I'm here with Paolo Calcagnini, our CFO, and with the entire Saipem management team.

Starting with the financials, I am pleased to report another quarter of strong delivery with a robust growth in revenues, plus 22% year-on-year, and even more in EBITDA at €191 million or plus 66% year-on-year. Driven by our offshore businesses, we then touched EBITDA margin of 7.4%.

Financial net debt, pre-IFRS 16 was negative by €45 million at the end of March or in other words, we have had €45 million of net cash before lease liabilities and this is substantially flat versus year-end 2022. Net debt post-IFRS 16 amounted to €285 million, very much in line with the year-end of 2022.

Finally, order intake in this first quarter of the year was also robust, a €2.7 billion, contributing to a book-to-bill of more than one times. In a few words, the first quarter of 2023 was another quarter of delivery, progress and strong yearly growth in terms of revenues and margins.

Before handing over to Paolo for the in-depth review of financials, I would like to add more comments on the commercial, operational and financial achievements during this quarter. From a commercial standpoint, we keep winning orders with the right mix. 66% of the total order intake in the quarter is in the offshore activities, the segments that historically has recorded the highest margins.

On the total awards, around 20% is in the low or zero carbon activities, in line with our commitment to energy transition. We are receiving quality new orders from national and international oil companies in our core geographic areas and countries.

As far as operation are concerned, we are progressing well on wind offshore projects. In particular, we recently completed the Seagreen project in Scotland, following the installation of the last of the 114 jackets with our flagship vessel Saipem 7000. And also the other projects in the backlog review are progressing in line with our plan. This is very important because more progress on risky projects means less risk in the remaining backlog.

Finally, the positive operating cash flow fully covered CAPEX, notwithstanding the seasonality of the first quarter that has historically being absorbing cash.

And now, I will hand over to Paolo for a review of the financial results.

PAOLO CALCAGNINI: Thank you, Alessandro. Thanks everyone for joining the call today. Now, before we go to the numbers, just a quick reminder. In the following slides you will see for the first time the breakdown of the numbers according to the new reporting segments. And to allow an understanding of the new segments, you will also find on the charts on the right-hand side the businesses that go under each of the new business segments.

Now starting from the consolidated results at Page 7, the revenues were up 42% year-on-year, and then the margins were up 66% year-on-year, which leads to an EBITDA margin of 7.4% with an increase from the 6.3% of the first 3 months of 2022. The net result was finally at breakeven. This is obviously good news after being negative since the third quarter of 2019.

Now, there are a couple of messages to add to this chart. The first one is that the revenue increase has been consistent across all businesses. And we read it as a sign of an healthy operational performance and an healthy delivery in terms of general environment.

Second, is that the EBITDA goes with the label adjusted, but in fact in the first 3 months of 2023, we made no adjustments to the numbers, because we didn't suffer any extraordinary costs related to COVID or other non-recurring items.

While in 2022 we had still roughly €13 million of one-off non-recurring extraordinary costs. So the €191 million you see on...for the EBITDA is also the accounting figure, while the €115 million we're comparing the number to include the €13 million adjustments because of COVID-related costs.

Now, moving to the reporting segments at Page 8 of the presentation, and starting from the asset-based services, which aggregates the offshore engineering and construction and offshore wind activities. You see revenue is up almost 50% year-on-year to €1.2 billion and margin up 80%...more than 80% actually year-on-year, with an EBITDA margin getting close to 10% and to be precise, 9.8%.

Now, what you cannot see from the chart, that I would like to share it with you, is that revenues and margins grew consistently across all regions. And the margins come from a quite large number of projects, each accounting for a small number of the total, which is a strong sign of the quality of the offshore portfolio in terms of diversification and low concentration of margins and revenues.

So, these results have been achieved, notwithstanding the fact that we had part of our fleet on going under schedule maintenance activities, namely the Castorone and the FDS2 that were mostly not active during

the first quarter, while we expect them to be back in full operation for the remaining part of the year.

Moving to offshore drilling, you see a strong growth both in terms of margins and revenues. The performance improvement come from a general increase of the market rates that we have been experienced since the beginning of the last year and it keeps growing.

And also because of the full operation of the Santorini drillship that accounted only for a few days in the first quarter of 2022, and for the operations of the Perro Negro 8, that, as you may recall was expected to work in Russia in 2022, but as you know, we had to change the vessel schedule, and it's finally this year fully operational, contributing to the increase in revenues and margins.

For the remaining of the year what we expect is that daily rates will keep growing. And we also expect to have a few additions in our fleet namely the Perro Negro 12 and Perro Negro 13, and the DVD which will join the fleet and be fully in operations by the second half of 2023.

Now, moving to energy carriers, energy carriers groups the Onshore E&C, the sustainable infrastructures and the robotics and industrialized solutions business lines. You see mixed numbers here because in terms of revenue growth we recorded a 40% increase year-on-year, while margins remain below 1%. It doesn't come by surprise.

The reason being that the backlog projects account for a significant share of the revenues, and this is obviously putting pressures...putting pressure on the margins as long as backlog reviewe projects go with a 0% EBITDA margin. So they create revenues, but not margins.

As I said, it's not...it doesn't come with surprise. The good news is that we are making progress on those projects, and there is still some work to be completed before we will start seeing healthy margins. And for the

remaining of the year, we expect to keep progressing on the execution while margins will remain where you see them today in terms of EBITDA margin over revenues.

Moving forward to the P&L, as I already mentioned, the first message of these numbers is that there are no special items that we accounted for when adjusting the quarter results. So, in other words, the reported figures are perfectly equal to the adjusted figures for the first 3 months, while this was not the case in 2022, where we still had €13 million of adjustments overall. And that is a particularly positive sign of the fact that the machine is operating full steam without facing any special constraints related to the tail of the pandemic or other...or other non-recurring problems.

The only additional comment on these figures is the...what goes below the EBITDA, we recorded financial expenses of €52 million. It's an increase over the last year, but it's a significant decrease over the last quarter of 2022.

In the first quarter, you may remember, we signed 2 new credit facilities, which explain why the number is still higher than 2022, while in terms of equity investments, the result was close to zero compared to a minus €40 million, one year ago, the number one ago was also impacted by the Russian crisis, which led us to make some write-offs on the projects in that specific country.

Now, moving to the net debt evolution and cash position at Page 12, to make a long story short, what's the story beyond these numbers? Well, first, the net debt, both pre and post-IFRS16 is in line with year-end 2022. This is a very strong result in our view, because the first quarter is typically a negative quarter, cash wise. And in fact, if you compare the cash generation for the past few years, it's been almost always consistently negative because of working capital dynamics and physical

progress of our backlog. While easier the number is positive, and this is a remarkable given the environment.

Now, focusing on the light blue shaded area, 2 comments on my side, first one is, if you sum up the first 2 buckets, adjusting the results plus D&A and the delta working capital, you get a positive operating cash flow for more than €100 million. And this is also a result which is let me say new to the company given the recent past performance. And we take it as a very strong sign of delivery when it comes to generating cash.

More important, it's the call-out that you see at Page 12, because the delta working capital was positive for €4 million, but we had more than €120 million of cash outflows that are related to the execution of the backlog review projects, which as you may remember were provisioned for but the cash out is happening mostly this year. So, without the backlog review, the delta working capital would have been positive for €124 million.

Notwithstanding the effects of the backlog review, the operating cash flow covers the CAPEX that we made in the first 3 months, which is my last comment on this chart, €77 million is a very high number compared to the historical pace. And in other words, we made a big part of the investments anticipated in the first 3 quarters, while normally it happens later during the year. And despite this CAPEX, the net debt remains at the same level where it was in December 2022.

Last chart, Page 13, before I hand over to our CEO, debt maturities and cash position, while 2 comments on my side. The first one is that the available cash and cash equivalent is €1.44 billion. This is an increase of more than €90 million compared to December 2022, while the liquidity, which is in JVs or constrained, decreased from €1.3 billion to €1.1 billion, which is a sign of the quality...increased quality of the liquidity we can rely on. And in addition to the €1.44 billion of liquidity

those...the 2 new facilities that we signed in February 2023, that account for roughly €860 million of additional available liquidity.

So, if you sum up all these numbers, you get an available cash which is close to €2.1 billion compared to the expected maturity of the debt for the next almost 3 years that are close to €1.4 billion. So, we are sitting on a robust liquidity position, and we have already covered the debt maturities for the next at least 2 years, possibly even longer.

I will now hand over to Alessandro for a few comments on the commercial activity and backlog breakdown.

ALESSANDRO PULITI: Thank you, Paolo. Moving on to the business performances. The strong offshore market is generating the bulk of our order intake in this first quarter, further accelerating our strategic shift. In fact, 66% of the acquisition is in the offshore among engineering and construction and railings, which have historically been generating the highest margins for Saipem. We are receiving quality new orders from national and international oil companies in our core geographic areas and countries.

Furthermore, we have recently acquired a 2-year extension of the contract for the 7th-generation drillship Santorini with Eni. This contract is worth more than €280 million. As you may recall, we purchased the Santorini drillship at the end of last year. This award will be accounted in the second quarter order intake. In addition, consistently with our strategic plan, we added new work to the zero-carbon order backlog, acquiring a new high speed train contract in Italy waiting for around 20% of the order intake in the quarter.

Looking at the backlog, as you can see from the pie chart, it is still standing a remarkable €24 billion. But more importantly, as I already commented in the previous slides, the shift toward the high margin offshore segment is very clear...has a very clear trend fully in line with our strategy.

By the way, let me flag out that our backlog has increased despite the disposal of the drilling onshore business. Our backlog is well diversified across geographies, and the share of the low or zero carbon activities accounts today for around 8% of the E&C backlog excluding drilling.

This concludes our first quarter presentation, and now 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'll 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: Good morning. Thank you for taking my questions. I think it's good to see another good quarter and a clean one plus. I have a few questions on the Onshore E&C. I think in your opening remarks, you mentioned that most of the revenues are zero margin, and this is likely to stay like this for the rest of the year. Can you remind us how much as a percentage are those zero margin revenues versus the total? And also, can you give us a sense of what could be the underlying performance of the Onshore E&C in terms of profitability once those zero margin revenues are basically taper off into 2024. And also I think I've been noticing the order intake in Onshore E&C has been relatively limited in the recent quarters in a way this quarter, of course, there was the big infrastructure project, and I was wondering what is...if you can give us an update on your commercial strategy when it comes to the Onshore E&C whether

you're focusing more on traditional projects? And also on the working capital, I was wondering whether it was linked to any project in the Onshore E&C, the reason that the working capital would've been materially positive excluding the backlog review. That's all for me. Thank you.

ALESSANDRO PULITI: Okay. So Paolo will provide you the answer on the Onshore E&C percentage of okay of zero margin project contribution and on the working capital. And at the end, I will comment on the strategy of the order intake from the onshore?

PAOLO CALCAGNINI: Sure. Thanks, Alessandro for your questions. So, the zero margin projects accounted for close to 40% of the revenues for the E&C Onshore business in the first 3 months. And I guess that this figure explains a lot about the overall profitability of the business line. You may remember that the target we shared for the Business Plan is to get to a 2% EBITDA margin on overall in 2025, which means that basically executing the backlog we have, and in addition, get new projects where the target of profitability is one...still one-digit, but let's say high end. And you see the 2% is a mix of the zero on the remaining part of the backlog and the new acquisitions that are targeted to make a one-digit high end margin.

And then the other question on infrastructure project, they accounted for a big part of the new acquisitions in the energy carriers segment in the first 3 months of the year, roughly €0.5 billion. That's a business where we historically did well in terms of margins and cash profile of the portfolio. So, we remain convinced that whenever we see opportunities on that segment is something that Saipem need to capture. And because it contributes positively on the portfolio of the energy carriers segment.

And I leave Alessandro answering on the Onshore E&C strategy.

ALESSANDRO PULITI: Okay. As we anticipated in our conference call regarding...previous conference call regarding our strategic plan...the acquisition for the anchor for our Onshore E&C activity will be concentrated on quality projects, mainly related to LNG activities and gas treatment plants and gas valorization plants. Those are the activities where we see that we can have a better value proposition for our clients. Also, considering that we want to leverage on our patents, especially in the sector of urea and ammonia in terms of gas valorization. So those are the area where we will be concentrating our order acquisition in the next month.

ALESSANDRO POZZI: Thank you. And just going back on the working capital, the reason why it would've been contributing positively to the cash flow if it wasn't for the backlog review. Can you give us more color on that?

PAOLO CALCAGNINI: Well, it's been actually a consistent performance across the business units. Compared to the past, we are more focused on financial discipline, which means basically involving clients as soon as we can and getting paid as soon as we can. And so, you are asking more color, but I should show you the full list of working capital project-by-project it could create more confusion than clarity, it's been a...you know, that we have a portfolio of almost 100 projects, let's say, 70, 80 are the big ones. And most of them enjoy the positive, let's say, a reduction in working capital regardless if it was already negative or positive. And that applies to almost vast majority of the portfolio, but a couple of exemptions that where we contractually work with the positive working capital, but something that we plan to manage as soon as possible.

The other comment I can make is that the new acquisitions have a cash profile, which is such to guarantee not to have negative cash flows any time during the project lifetime. That's the guideline that we gave ourselves, and that our colleagues from the business and from the commercial department are following since, I would say mid-2022. So, the new acquisition have a cash profile, which is always positive during the life of the projects, also under stress scenarios. And the results of this

discipline is paying off, because if you remember also in the last quarter of 2022, we had a positive trend in the working capital. So in other words, a reduction in the working capital of the group. So this is the second quarter in a row, where the working capital shows a positive trend. And last comment is, it doesn't depend on advanced payments, while in fact advanced payments remained unchanged or even slightly lower than they were 3 months back.

ALESSANDRO POZZI: Okay. That's very, very helpful to know. Thank you very much.

ALESSANDRO PULITI: Thank you.

OPERATOR: The next question is from Mark Wilson with Jefferies. Please go ahead. Mr. Wilson, your line is open.

MARK WILSON: Thank you. Yes. Good morning. I'd like to ask regarding...you mentioned that the Castorone and FDS 2 were not working through Q1 or at least a portion of Q1, but they would for the rest of the year. Could I ask if there's any other vessels that require material maintenance in the rest of the year, either in drilling or E&C?

ALESSANDRO PULITI: So, yes, as you said, rightly, Castorone and FDS 2, they were subject to the 5 years statutory maintenance activity. FDS 2 is back to work and Castorone will be back to work in the next week. Another vessel that...the other vessel that has to enter into its 5-year re-certification is drilling semi-sub Scarabeo 9.

MARK WILSON: Got it. Okay. And the follow-up question on the drilling is a very good contract for the Santorini. And commentary from some other offshore drillers, there's just been, I would say a certain softening of dayrates expectations. I was wondering if you could talk to that regarding the white space on the offshore drilling fleet, the new contracts for the future. How do you think the market is looking for that?

ALESSANDRO PULITI: The market is looking robust. Clearly, I cannot speak about precise daily rate on each contract, because this is a sensitive matter with our clients. But what we see, we can confirm the increasing trend and we can also confirm that we are expecting our drilling deep water fleet fully booked for this year and the following years. Even the units that they don't have a firm contract, they are subject to LOIs from our clients that they will serve...that I'm pretty confident that they will turn soon into firm contracts. We received multiple requests, and I repeat what I said in the previous call, if we were having an additional unit, certainly we would have the work to...for this additional unit.

MARK WILSON: Got it. Okay. Thank you very much. And if I can ask one more, it is to...just tell us where we stand regarding Mozambique. You were very clear last quarter return to some work in July. But at the same time there has been differing commentary, I would say, from contractor and your sales regarding. Any contractual changes to that contract? Could you speak to where that stands at the moment? Thank you.

ALESSANDRO PULITI: Okay. Certainly as you can imagine, I cannot provide any precise date. But nevertheless, what we can say is that the security situation is improving. Mozambique LNG partners are working on the human rights. And for what regards the cost, what we can say is that we are working with Mozambique LNG Partners to define a mutually sustainable cost after the suspension period. And we are really actively working. So that's the situation.

MARK WILSON: Very good. Thank you. I'll turn it over. And thank you for the commentary on working capital on the previous question. Very helpful. Thank you.

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

DANIEL THOMSON: Hi. Good morning. Yes, I'd just like to check in on where we are in terms of pricing in surf and conventional work, perhaps especially where we are versus prior spending upcycles. And particularly in your conversations with clients, I mean, how far do you think contractors can potentially raise pricing from here before project owners begin to delay or cancel projects?

And then my second question, I know it might be a little bit difficult, but one project in the Onshore E&C portfolio, the Thai Clean Fuel Project, one of your consortium partners has recognized additional cost overruns on its own share of the project recently, which I think is of the similar size to your own scope. I wondered why we're not necessarily seeing the impact of that in your accounts or if we are ready, because it's included in what you provisioned in the backlog review originally? So any color there would be helpful. Thank you.

ALESSANDRO PULITI: Okay. Paolo will provide you...

PAOLO CALCAGNINI: I'll start with your second question. So, I guess you are requesting to the Thai Oil...you are referring to the Thai Oil projects. Now obviously, I cannot comment on other company's accounting policies. As far as Saipem is concerned, we didn't incur any additional losses in Q1 for that specific project, as long as the deterioration was already accounted for in 2022 in accordance with our economic and financial review of the project. So it's a big project. We know it very well. And what was supposed to be provisioned for, had been already provisioned in 2022 at the best of our knowledge at the time.

DANIEL THOMSON: Okay, thank you.

PAOLO CALCAGNINI: And your second question was on pricing and commercial perspective in general. And what we can show is that new acquisitions are made at margins that are significantly higher than the previous 3 to 4 years. And for sure, it's double-digit on the offshore business. And it's a high-end

one-digit for the onshore business. And obviously, the pace at which the benefits of the new backlog kicks in, in terms of overall economics, depends on how fast we deliver on the backlog reviewed portfolio, which brings down the profitability, as long as, they go with a zero margin when we make revenues. And we didn't experience any cancellation, as far as I remember, in the last year or so. So, back to your question on cancellation by clients, it's a phenomenon that we have no evidence of...

DANIEL THOMSON: Yes. Thank you. I was just referring to from here and not related to you, but different projects, particularly in offshore where you know, we've seen costs creeping up. And I was just wondering what the project owner's stances around tolerating further increases in pricing from the contractors from here, particularly in offshore?

ALESSANDRO PULITI: Okay. What we see on the market is that clearly there is a base cost increase that is due to the supply material. And the strategy that we are adopting with our client is more and more an open book style, letting the client clearly understanding, which are the basis of our cost structure. And this is the key to work with them to achieve a mutually acceptable cost when you look at the side of the client and price when you see it from the side of the contractor of the projects we are carrying out. That's the strategy we are adopting and we see that...we then achieve mutually agreed position with the clients.

DANIEL THOMSON: Thank you. That's helpful. Thank you.

OPERATOR: The next question is from Sasikanth Chilukuru with Morgan Stanley. Please go ahead.

SASIKANTH CHILUKURU: Hi good morning all. Thanks for taking my questions. I had 3, please. I was just wondering, first one is with full year results, you had laid out specific 2023 guidance for revenues, EBITDA, CAPEX, free cash flow and net debt. I was just wondering how your thought 1Q fed

related to that guidance. And if there was any material deviation in any of those items?

The second was also related to the outlook. Again, in February, you noted near-term opportunities of around €51 million for the E&C market, noting growing project pipeline momentum that was weighted more towards the offshore. I was just wondering if you saw any change in the opportunities that...or whether there's been any visible change in the momentum over the past few weeks?

And finally, just a clarification on the financial expenses, which were high this quarter. I was just wondering if there was any one-off costs associated with the signing of the new RCF that would be helpful? Thank you.

PAOLO CALCAGNINI: I'll take the question on the guidance and on the financial costs. Well, we have no reasons for reviewing the guidance today. And we think that the results we are achieving are consistent with the targets we shared, if I remember correctly, less than 2 months ago. So, we have no indication to change the targets for 2023.

And on the financial charges, yes, there were some one-off charges that are related to the commissions that you normally pay for structuring and commitment from the banks. And, as long as, the credit lines have been signed in February, the...those costs...part of those costs remain on the first quarter. And they can be, yes, you can refer to them as a one-off charge as the tail of the financial package that we set up after the first quarter of 2022, and that were fully delivered beginning of this year.

And I think I kind of lost your second question on the opportunities, okay.

ALESSANDRO PULITI: Okay. Thank you. Thank you, Paolo. I will answer to the offshore market and in the recent past weeks and whether we see some changes

the trend. To be honest, we do not record any changes on the trend of the offshore. We are keeping receiving requests to participate tenders. And we are also in the final stage of finalizing new acquisition. So, if the question...if I understood correctly the question, whether we see any change of trend? The answer is negative, the trend continues as a positive trend.

SASIKANTH CHILUKURU: Yes, that's very clear. Thank you very much.

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

JAMES THOMPSON: Hi. Morning. I'd actually like to come back just now to that question from Sasi there actually, in terms of the 2023 guidance okay. Alessandro and Paolo, just because obviously your target set that EBITDA number at €850 million for 2023. You know, Q1 clearly a strong start of the year versus my expectations and consensus, particularly given just underlying operational performance, because we've pretty good. So I was wondering maybe could you sort of elaborate on your confidence perhaps in reaching that 850 number. I ask it...it'd be good to get some more color on the basis that you know, consensus has been stubbornly below that figure, you know, what I see is around €800 million for the year, which maybe a little bit of a hangover from some of the operational difficulties of prior years. But you know, after a good performance, maybe you could just speak to your confidence, shall we say, in meeting that guidance, whether it be kind of margin expectations for the divisions for the remainder of the year or however might it be good to just get a bit more color from you on that. That'd be great. Thank you very much.

PAOLO CALCAGNINI: Yes. So, let's see it segment-by-segment, because it makes easier to understand why we are still committed the guidance we shared 2 months ago remains valid. So, drilling offshore...let me start from the easy stuff. We feel that those margins...the margins you experienced in the first quarter may remain at that level for the rest of the year. While revenues

will increase because we are increasing the size of the fleet with commercial contracts already signed by our clients. So, when it comes to drilling, you can take those numbers and multiply by 4 and then possibly add something on top. And that gives you a nice part of the total EBITDA for 2023.

Then we have E&C offshore, and...I use the old names, E&C offshore and E&C Onshore. On E&C Onshore, the target for the entire Business Plan is 2%, we made 0.6% in the first quarter. It's reasonable assumption to say that the profitability will remain close to that level. Maybe something more, maybe something less, but it doesn't change the big picture.

And on E&C offshore, we share the fact that the first quarter, even though it's a big increase compared to 2023, experience some vessels idle for maintenance. And so, the pace of the revenues may increase in the next 3 quarters, while margins will remain close to the double-digit figure. If you crunch those numbers, you will get very close to the figure that we shared as a guidance for this year. And you know, that in the E&C business, both offshore and onshore, the lifetime of the projects is very long. So, it's...you hardly see major changes quarter-by-quarter. It tends to be relatively predictable if execution goes smoothly as it's going today.

JAMES THOMPSON: Okay. That's very helpful. I think, we'll probably all be using the old original names for a little while yet. But secondly, a very, very minor point, but you know, you guided previously to kind of step up in lease costs. What quarter should we expect that to come in, when we think about the net debt piece? Is it a second quarter when the Deep Value Driller comes in, or?

ALESSANDRO PULITI: Can you please repeat, we lost the question at least the last part?

JAMES THOMPSON: Just, you know, guided to sort of €500 million or so for IFRS 16 leases, but only 330, 340 this quarter is the step up comes which quarter this year?

PAOLO CALCAGNINI: Okay, I got it. We are going to have a new vessel entering the fleet by the end...the last quarter of 2023, and when the vessel will be delivered, and then we will start the leasing contract. You will see the leasing debt that accounts for the difference between the 300 plus something end of this quarter and the projection for the...for year end.

JAMES THOMPSON: Alright. That's brilliant. Thank you very much. I'll hand over.

ALESSANDRO PULITI: You're welcome.

OPERATOR: The next question is from Kevin Roger with Kepler Cheuvreux. Please go ahead.

KEVIN ROGER: Yes, thanks for taking the question. Good morning. The first one is just coming back on the offshore drilling segment. Just to be sure that I understood what you said. So clearly you have new vessel that will join the fleet in the coming quarter, so the top line will increase, but should we assume the margin to remain relatively stable for the coming quarter? So, increasing top line plus margin stable just to be sure that I well understood the guidance for the offshore drilling?

And the second one is coming back on the onshore business and not to be the commercial opportunities and your new positioning will not give the objective to get LNG project. There are currently a lot of noise around LNG opportunities? And so, I was wondering if you can give us some colors on which are the key projects that you are currently targeting for all the world in 2023? And basically, which one would be the most likely on your side, you think? Please.

PAOLO CALCAGNINI: Okay. I'll take the question on the offshore drilling and leave the onshore question to Alessandro. So let's say offshore drilling, yes, you can expect the margins to remain where they are today, and the top line will increase because of new vessels entering the fleet, but the margins will remain where they are today. In fact, it's a bit more complicated than that because some of...some of the new...of the new vessels will be jack-ups, and the jack-up are typically a bit less profitable in terms of EBITDA margin, but so they tend to decrease the average margin of the portfolio. But at the same time rates keep increasing, and so the combination of these 2 effects make us projecting a margin, which is...which will be close to the 40% where we are today.

KEVIN ROGER: And sorry to follow-up on that one directly, but because your vessels are currently engaged on long-term contract if you take, for example, the Saipem 12000 this is a contract that is lasting to 2025. Does it mean that you have a kind of escalation clauses that allows you to revise the rate, let's say each quarter or something like that?

PAOLO CALCAGNINI: Well, yes. Some of our contracts have escalation clauses in the agreement. So even if the commitment is medium to long-term, there are pricing review mechanism that will make room for possible further increases in market rates.

KEVIN ROGER: Okay.

ALESSANDRO PULITI: Okay. Regarding opportunities in the...commercial opportunities in the E&C Onshore activities, where really we are directing our attention is where there are clients requesting the...this kind of activities. And I will say that we are concentrating our attention in one peculiar geography that is the Middle East, where many of those projects are arising from the values...from the values to say especially national oil companies. And so, that's what we are...that's what we are targeting.

KEVIN ROGER: No, but I mean if we just focus on LNG, there are a number of opportunities you mentioned in...

ALESSANDRO PULITI: Yes, specifically on LNG, if you see what are the expectations for example in the United Arab Emirates, there are more than one opportunities that we can target for LNG acquisition that they will come in the next months. Those are projects already announced by the companies, and we will participate to do those tenders, okay.

KEVIN ROGER: Okay, thanks so much.

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

MASSIMO BONISOLI: Good morning. 3 questions, very quick. The first, I really appreciate the absence of non-recurring cost in Q1. Is it reasonable to assume that there will be not meaningful cost adjustments on EBITDA over the remaining part of the year?

And the second question is on the balance sheet. Do you believe it could be reasonable to issue new bonds in 2023 following the maturity of existing lines? Or do you prefer to wait for a better rate going forward?

And the third question, if you can remember us the remaining backlog-review affecting 2023?

PAOLO CALCAGNINI: So, we don't expect a major cost adjustments as far as we know today. If you remember what happened with the pandemic and it's not easy to foresee the future, especially if external events may materialize. But as far as we know today, no, there are not going to be adjustments apart possibly for some minor adjustments on extraordinary restructuring costs, but we're talking about possibly very small amounts. And yes, so nothing to mention today.

On issuing new bonds, we are not in a pressure to issue debt, especially if that would cost 6...6.5 wherever rates are today to the company, but we remain very tactical and opportunistic if markets will create opportunities and if we will see opportunities to do a very early refinancing of the future maturities that, we will take and push those opportunities. But as I said, we can easily leave for the remaining of this year, possibly part of the next year without asking new funds to the market.

And your third question was just on backlog-review, yes?

MASSIMO BONISOLI: On the backlog-review, yes.

PAOLO CALCAGNINI: So as I said, we made €120 million use of the backlog review funds. We expect the numbers to be at least 3 times by year-end. So, we are planning to execute what to cover extra costs for the backlog-review for roughly €300 million this year. And the pace at which we are delivering on those projects is consistent with the targets.

MASSIMO BONISOLI: Very clear. Thank you.

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

ALESSANDRO PULITI: Okay. Thank you. I believe we can close the conference.