

Saipem S.p.A.

"First Quarter 2024 Results Presentation Call"

Tuesday, April 23, 2024, 10:30 AM CET

MODERATORS: **ALESSANDRO PULITI, CHIEF EXECUTIVE OFFICER AND GENERAL
MANAGER**
PAOLO CALCAGNINI, CHIEF FINANCIAL OFFICER

OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining the Saipem First Quarter 2024 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 the presentation of our first quarter 2024 results. I'm here with Paolo Calcagnini, our CFO, and with the rest of the top management team. I will start with the key highlights and then Paolo will cover the financial results in more details. I will then wrap-up the presentation with some closing remarks before opening the Q&A session.

Let's start with the highlights of the first quarter. I am pleased to report that in the first 3 months of the year, we have delivered strong growth and most importantly, high cash flow conversion. Revenues stood at €3 billion, growing by 18% year-on-year largely driven by the contribution of our offshore activity.

EBITDA stood at €268 million, growing by 40% year-on-year. EBITDA margin stood at 8.8%, increasing both year-on-year and sequentially. The evolution of both revenue and EBITDA in the first quarter is in line with our overall targets for the full year. Most importantly, the first quarter saw a net cash flow generation of €68 million, which is fully in line with our target for the year of generating approximately €300 million of cash.

The deleveraging of the company has continued also in the first quarter with net debt decreasing both on pre- and post-IFRS basis, notwithstanding the net increase in lease liabilities of about €16 million. As already discussed on several occasions, the deleveraging of our capital structure is part of our overall de-risking strategy, and it is one of the also important factors behind the decision by Moody's to upgrade our credit rating a few days ago.

The order intake in the first quarter was in line with our expectation at €2 billion. The backlog at the end of the first quarter stood at €29 billion and remains close to record levels. In summary, the first 3 months of 2024 have shown excellent operational delivery and financial growth, consistent with our objectives and with the 2024 guidance published last February.

Let me now give you an update on our commercial activity. We have received the authorization to proceed by Exxon on Whiptail in Guyana, a project that represents roughly half of the order intake of the first quarter. Our scope of work entails engineering, procurement, construction and installation of subsea production facilities, which will be placed at a water depth of around 2,000 meters. We will use our FDS2, Castorone and Constellation vessels for the offshore campaign. We will also utilize our Guyana facility for the construction of part of the subsea infrastructures.

Moreover, we have also signed a letter of intent with BP, Equinor and Total in relation of the EPC and installation of 145 kilometer of offshore pipelines to transport CO2 from the Teesside industrial cluster in the UK to a subsidy storage site. Once passed the FID

stage, this project should increase our backlog by more than €0.5 billion.

The offshore pipe laying operation will be performed by Saipem's vessel Castorone and the near-shore operations will be performed by our shallow water vessel Castoro 10. It is very encouraging to see momentum in the CCUS sector picking up. As a reminder, we already announced in July last year a letter of intent for a carbon capture project in Sweden for Stockholm Exergi and we also are in advanced discussion for another project in the Far East, where we would combine gas production with CO2 range action.

We believe the outlook for CCUS is very promising and Saipem can be a key enabler of this energy transition opportunity. In CCUS, we can cover several steps of the value chain from capturing the CO2 to the transportation phase by laying dedicated pipelines, to the final sequestration site. A significant part of the CCUS value chain is expected to relate to offshore EPC activity which, as you all know, is where we are able to extract very good margins.

It is also worth noting that our historical oil and gas clients are also the main customers for CCUS projects, which means that we can leverage an established track record to expand our activity towards the energy transition. In addition, we are in advanced discussion on two sizable opportunities in West Africa, which relate: the first one to a deep-water offshore project where we would install both rigid pipeline and flexible flow line, and the second, a sizable FPSO and SURF integrated project.

Lastly, let me mention that we see the oil and gas clients securing capacity for contractors well in advance of their own final

investment decisions. This is a further proof of the positive tension that is characterizing our sector.

And now, let me hand over to Paolo to cover the financials in more details.

PAOLO CALCAGNINI: Thank you, Sandro, and good morning everyone. We'll start from Slide 6. Our revenue grew by 18% year-on-year and our EBITDA grew by 40%, mainly due to the performance of our Offshore businesses, both E&C and Drilling.

In the first quarter we also saw a significant improvement in EBITDA margin, which reached 8.8%, increasing by 1.4 percentage points compared to the first quarter of 2023, and by 0.7 percentage points compared to the fourth quarter of 2023. The higher EBITDA margin is the result of a positive contribution of each of our divisions and of a more favorable mix, given the increasing relevance of our offshore E&C business.

The net result was €57 million compared to a break-even result in the first quarter of 2023. Most importantly, the operating cash flow was positive for €221 million showing the strong progress in cash flow conversion, as well as the significantly lower impact from the legacy projects.

Let's now look at the different businesses. We will begin with the Asset Based Services on Page 7. Revenues were €1.6 billion in the first quarter of this year, a 38% increase from last year, driven by the contribution of conventional oil and gas projects, which more than compensated for the reduction in wind offshore activity and the associated backlog.

The EBITDA was at €180 million. This is a 55% increase from last year, with an EBITDA margin reaching 11%, rising by 1.2 percentage points from last year and 0.7 percentage points from the fourth quarter of 2023. The higher EBITDA margin is mainly due to the higher share of projects acquired in the last 2 years and the higher operating leverage. For the whole 2024, we anticipate revenues and EBITDA for the division to grow significantly from 2023 with a substantial margin improvement.

With the results of the first quarter, we have also revised upward our revenues and the EBITDA assumptions for the division compared to our initial budget for the year.

Let's now move to the Drilling Offshore on Page 8. The division had quarterly revenues of €210 million, which was 17% more than the same period last year, while EBITDA rose by 18% to €80 million and EBITDA margin grew by 0.3 percentage points to 38.1%.

The main factors behind the first quarter performance were the growth of the fleet and the higher average day rates. In particular, growth was underpinned by the start of the operations of the new drillship DVD, which began operating in Ivory Coast in the fourth quarter of the last year, of the Perro Negro 12, which started operations in January and by the higher number of operating days for the Perro Negro 11 compared to the Q1 2023 when the rig was under preparation.

The solid operating performance was partially offset by the cyclical maintenance of the semi-sub Scarabeo 9, which lasted for most of the first quarter of 2024, and by the startup cost related

to the jack-up Perro Negro 13. For the whole year 2024, we expect revenues and EBITDA for the division to grow compared to 2023.

Now in relation to Saudi Arabia, these temporary suspensions on Saipem affects 3 jack-ups in 2024. For the first jack-up, our budget for 2024 already incorporated the assumptions of delivering it back to the owner around the middle of this year. For the second jack-up, we will cover most of the suspension in 2024 with planned maintenance works. While for the third jack-up, we will most likely redeploy it in a different geographical area in substitution for another rented unit that will be delivered back to the owner.

In conclusion, the flexibility provided by our asset-light strategy, coupled with the good market conditions for premium jack-ups, will substantially mitigate the impact of the temporary suspension from Saudi Aramco in 2024.

Let's now look at Energy Carriers on Page 9. Revenues and EBITDA remain broadly flat year-on-year at €1.2 billion and €8 million respectively. The division's main priority is to finish the outstanding legacy backlog that still weights for more than 35% of our revenues, while we are very selective about accepting new projects. The delivery of the old projects is a key condition for the start of our gradual recovery path for the division. For the whole year 2024, our target remains to demonstrate a gradual recovery in margins in line with our Business Plan targets.

We can see the complete income statement for the group on Page 10, especially the items below EBITDA. D&A has grown year-on-year by €45 million, as it partly includes also the leases paid on

the vessels that have recently joined our fleet on a capital-light basis as well as the depreciation of the CAPEX of 2023.

Financial expenses dropped year-on-year by €12 million mainly due to the lower amounts of traded derivatives and lower hedging costs, while financing cost, including net interest expenses and leases, were stable year-on-year. Income taxes slightly dropped year-on-year by €3 million to €34 million reflecting an implied tax rate of 37%, which is consistent with our expectations of moving towards a normalized level of between 30% and 35%. As a result, the net result was positive for €57 million from a break-even result in the Q1 2023.

Moving to the net debt evolution on Page 11, we remain extremely focused on cash generation with the aim of further deleveraging the company and sustaining future dividend distributions to shareholders. In the first quarter of 2024, Saipem has generated €221 million of operating cash flow or €174 after lease payments, €135 million of free cash flow or €88 million after lease repayments and €68 million of net cash flow.

The cash flow generation of the quarter has led to a further improvement in our net financial position by €68 million on a pre-IFRS basis and €52 million on a post-IFRS basis. At the end of March, we had a consolidated net cash position of €284 million on a pre-IFRS 16 basis and a consolidated net debt position of €209 million on a post-IFRS basis.

On Page 12, you can see the breakdown of our net financial position. We still have a comfortable level of liquidity on our balance sheet, which was €2.9 billion at the end of March with

€470 million of unused RCF. In the first quarter, we spent some of the liquidity to pay back the remaining amount of the SACE term loan for €237 million, so the level of liquidity went down slightly by €218 million. This payment along with the payback of other credit lines resulted in a decrease in the nominal value of our gross debt by €280 million in the first quarter of this year.

Lowering gross debt and extending maturities are still a key priority for Saipem. We are also very pleased to report that Moody's has raised our credit rating by 1 notch to Ba2 and maintained the positive outlook. This upgrade is a further confirmation of our de-risking strategy.

I will now pass it on to Sandro for some final comments.

ALESSANDRO PULITI: Thank you, Paolo. Now to wrap up our presentation. We are very satisfied with our results for the first quarter, which are in line with our Business Plan. Our entire organization is fully focused on project delivery, execution excellence and cash flow generation with the aim of further deleveraging our capital structure and support our first dividend payment in 2025.

We are pleased with the picking up of the CCUS market, which is emerging as a concrete opportunity for Saipem in the energy transition space. Our commercial activity is strong and in the coming months we will increase the level of visibility of our Strategic Plan. Lastly, the results of the first quarter 2024 are in line with our expectation and coherent with our 2024 guidance, which we fully confirm today.

Thank you for your attention and we can now move on to the Q&A session.

Q&A

OPERATOR: This is the 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 Mick Pickup of Barclays. Please go ahead.

MICK PICKUP: Good morning, gentlemen, thank you for call, couple of questions if I may. Can I just look at your E&C opportunities? I know you mentioned West Africa in particular, you highlighted that in your prepared remarks. If I'm looking at the chart in the appendix, it looks like Africa has grown quite strongly over the quarter, but Middle East remained stable despite the Saudi cancellations for opportunities. So, what else is popping in and what are the moving parts in that pipeline, please, is the first question.

ALESSANDRO PULITI: Okay. As you rightly pointed out, we see opportunities coming in West Africa, certainly picking up. We are expecting 2 important projects in the next weeks. Today, we are not yet in the position to disclose that, but we are in a very advanced state of negotiation. So, certainly West Africa is picking up.

And regarding Middle East, we expect again in the second part of the year starting from the summer, that we will see movement also in that area. As Paolo explained already, we see a bit of a reduction in the jack up activity in Saudi Arabia, that is well mitigated by our asset-light strategy that give us much flexibility, but for the rest, we don't see any additional signals there.

We are expecting also very important development in the Far East, that is another important area, where, again, we are expecting that in the second quarter we will be able to announce a new contract also in that area. So, South America, as you saw from the presentation, we already acquired another contract in Guyana. So, it's well spread around the world our pipeline of opportunities.

MICK PICKUP:

Thank you. And then secondly on carbon capture. Obviously, you've been selected as one of the contractors on Teesside, but that's subjected to FID. So, can you talk about the hurdles there? And obviously, you're going for the pipelines on this one across the value chain. I'm assuming pipelines is lower risk to secure assets. So, any parts of the pipeline for carbon capture that you would prefer to be involved in?

ALESSANDRO PULITI:

So, as we said clearly we like very much being involved in pipe laying for the carbon capture because this is the part of the activity of the entire carbon capture value chain in which we can make the higher margins because this entails to our offshore E&C, I would say, bread and butter activity. So therefore, we like very much to be involved in that activity. As I said before, we are expecting also in the Far East to be involved in pipelaying and offshore infrastructure for carbon capture soon, so that activity,

but certainly, we do not neglect also the actual capture. We are doing activities, as I reminded, in Sweden for Stockholm Exergi for a carbon capture plant there.

And we have also our Bluenzyme 200 system for middle and small kind of industries for capturing, that this is our trademark. So, I believe that we have a very wide offer in this sector. But what it is most importantly to be stressed today is the fact that on carbon capture we are moving from wishes, we are moving from projects to actual contracts and this is what it is most importantly for us.

MICK PICKUP: Great. Thank you very much.

OPERATOR: The next question is from Alessandro Pozzi of Mediobanca. Please go ahead.

ALESSANDRO POZZI: Good afternoon. The first...good morning, sorry. The first question is on the guidance, which you have confirmed for 2024. Clearly, there are 3 jack-ups which are coming off in Saudi Arabia, and I suspect this is probably putting some pressure on the EBITDA in the division. But probably this is more than offset, and correct me if I'm wrong is, more than offset by a stronger performance in the offshore E&C, which I believe you mentioned you are revising the estimates that you had from the start of the year given the strength that you've seen in the business. And I was wondering if you can perhaps give us more color there.

ALESSANDRO PULITI: Okay. First of all let me go back for the sake of clarity on the 3 jack-ups. Yes, the program is affecting 3 jack-ups, but the first jack-up as it was highlighted by Paolo was in our budget prudentially already considered without an extension beyond mid

of the year...mid of 2024 where its rental period from the owner was expiring. So, this jack-up has no material impact on our financials.

The second jack-up, as Paolo was explaining, will see a reduction of the time of utilization in 2024 that substantially is covered by our planned maintenance and recertification activity that we are planning for 2024. So again this reduction was substantially covered in our budgeting.

The third jack-up that basically by May will be suspended, as Paolo said, will be most likely redeployed in another geography in substitution to another rental unit. Therefore, at the end of the day the impact is very much mitigated by our asset-light strategy. So that's the situation. The outlook for E&C offshore is definitely positive as Paolo was explaining before. And I may leave to Paolo to give a bit more color on this.

PAOLO CALCAGNINI: Yes, Alessandro. If you look it from a wider perspective and we do a couple of steps back, we had like 2 jack-ups 2 years ago and now we have 7. So yes, we will go down to 6 and, because one which was leased will not be exercised the purchase option and we will deliver it back to the owner, but it is still a fleet which is growing. Possibly not growing at the pace everyone could be wishing for, but it's precisely why we decided to grow on a lease basis rather than acquiring assets. But at end of the day I mean, the business is growing. This year the overall drilling offshore will grow both in terms of revenues and margins. So, we remain positive and we also see commercial opportunities elsewhere that we may decide to capture in the near future.

ALESSANDRO POZZI: Okay. And do you see a stronger performance in the offshore E&C for 2024?

PAOLO CALCAGNINI: Say it again sorry.

ALESSANDRO POZZI: Do you see a stronger performance for the offshore E&C this year?

PAOLO CALCAGNINI: The offshore E&C is growing even better than expectations. And so, yes, we think we can do even better than what was inside our budget.

ALESSANDRO POZZI: Okay. And also as a follow-up on the guidance, can you provide any indication of what could be the full year D&A and finance charge?

PAOLO CALCAGNINI: Yes. Just give me just a second. Okay. So the D&A for the entire year should stand at somewhere around €460 million and which...not including the leased vessels. Including the leased vessels will be €689 [*million*]. While the financials will be somewhere around €200 [*million*] including lease payments...interest payments on lease contracts to be precise.

ALESSANDRO POZZI: Yes. Okay. Yes, that's very helpful.

PAOLO CALCAGNINI: Bulk numbers.

ALESSANDRO POZZI: Yes. That's very helpful. Thank you very much.

PAOLO CALCAGNINI: You're welcome.

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 2 please. On the jack-ups issue, can you provide us any indication in terms of expected day rates over the coming months? So, you mentioned that the third rig will be redeployed at another geography. I was just wondering what type of day rate is the company negotiating at the moment in this new geography considering what happened recently?

And then the second question if I may. If you could provide us an update on the timeline for the last of the offshore wind projects Courseulles-sur-Mer. We saw there were some delays recently to bring the equipment from Scotland to France. So, I was just wondering if you could say a few words on when the project is now expected to be concluded, and if you expect any type of financial impact on the back of this play? Thank you.

ALESSANDRO PULITI: Sure. To be honest, we never disclose precisely daily rates. But what I can assure is that the jack-up that is suspended is the jack-up with the lowest daily rate we have in Saudi Arabia. So it is most likely that in the new location will gain an higher rate than the one that is currently paid. This is the situation. So we are not going to miss even one penny on daily rates. We may incur in some transportation cost, yes that. But in terms of daily rate, we do not see any downsides. On the contrary, I would say an opportunity for an upside.

Regarding the equipment on Courseulles, in this very moment, the entire drilling machine is being mechanically completed in the yard, in the Port of Blyth, nearby Newcastle, and it is alongside

the vessel and is doing commissioning activities prior being loaded. And in the next days, we do expect the sail away to the location in Courseulles. So, we do not expect any variation in our plan. And this is the situation of Courseulles. So, we are really looking forward to start drilling in the coming weeks.

PAOLO CALCAGNINI: And when it comes to the financials, all the costs for the projects have been already included in our numbers, as we typically do when we do the accounting for projects. So all the costs that we will bear for completing the campaign are already included in our projections.

GUILHERME LEVY: Okay. Thank you. And just for clarity, just a follow-up on the jack-ups. You mentioned that the third jack-up would be redeployed at another geography substituting another rental unit. This another rental unit, this is from other player, right? It's not that Saipem is substituting something that it has in Mexico or Egypt with this third jack-up?

PAOLO CALCAGNINI: I think you will find out in the near future. We can't disclose the discussions with the clients. Sorry about that.

GUILHERME LEVY: Thank you.

OPERATOR: The next question is from Kate O'Sullivan of Citi. Please go ahead.

KATE O'SULLIVAN: Hi. Thanks for taking my questions. Another Saudi follow-up if that's all right. Just the assumption in the Business Plan is that this comes back into operation in Saudi next year, since the

temporary suspensions. Are you able to give any color on what fields in Saudi these were operating, these 3?

Secondly, just an update on Mozambique. Has anything changed again lately? And could you just remind me what was in the backlog for 2024 on Mozambique? Thank you.

ALESSANDRO PULITI: So, let's start from Mozambique. Really, we don't have any news while comparing notes from what we presented back end of February. So, we are still exactly in the same picture.

Regarding the jack-up, we are, as we said before, since we are taking a unit out of the market doesn't have any impact on how long is the suspension, because we are releasing the jack-up from our fleet. The other unit will be redeployed. So, we really do not expect much further impact or any further impact from what we are presenting today to be honest.

KATE O'SULLIVAN: And are you able to say which fields in Saudi were operating and just on the Mozambique backlog point as well. Thank you.

ALESSANDRO PULITI: The Mozambique backlog, can you repeat the question, sorry?

KATE O'SULLIVAN: The amount of backlog, you have for Mozambique in your 2024 backlog?

ALESSANDRO PULITI: The amount of backlog in Mozambique that we did have is around €300 million, as we said back in February, and its €3 billion in the total backlog and in 2024 is €300 [million].

KATE O'SULLIVAN: Great. Thank you.

OPERATOR: The next question is from Victoria McCulloch of RBC. Please go ahead.

VICTORIA McCULLOCH: Good morning. Thanks for your time. Just some small remaining questions for me. Just following up on Courseulles-sur-Mer and all the remaining legacy project. Could you remind us of where we are with cash costs remaining on these, and what forecast we should expect in 2024 for the remaining 3 quarters?

And secondly, on offshore E&C market, are you able to give us some color about what the concurrent competitive environment is like? Are you continuing to see strong margin increases on the work you're bidding for? Thanks very much.

PAOLO CALCAGNINI: On Courseulles, or generally speaking on the legacy projects, we expect that the cash out this year would be around €100 million. This is a number that we have shared a few times and we can confirm it. So the legacy portfolio includes Courseulles and some other projects onshore. But the total cash out this year will be around €100 million, which compares to almost €900 million already spent in the previous 2 years. So, it's a small piece compared to the total and then in 2025 it would be almost zero.

VICTORIA McCULLOCH: Just on that point quickly. Is that €100 million across the last, the following 3 quarters, we shouldn't see that's not really declined in the first quarter, has it?

PAOLO CALCAGNINI: You mean in terms of cash out?

VICTORIA McCULLOCH: Yes.

PAOLO CALCAGNINI: Well, spending will go through the year, depending on the different pace at which we deliver on the projects. So saying, that it's going to be €25 million per quarter, is kind of a rough assumption. It's probably not too far from reality.

VICTORIA McCULLOCH: Thanks I'll pass on.

ALESSANDRO PULITI: Regarding the offshore E&C market, what we see...what we are seeing is a continuous interest from the client in offering new opportunities. So this is the situation. And I believe that there is also a good discipline in the offer from the contractors. So this means that, the market will remain for us certainly attractive, and we will continue I believe to make good margins, as we are doing now.

VICTORIA McCULLOCH: Thanks, very much.

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

RICHARD DAWSON: Hi. Good morning. And thank you for taking my questions. Just a follow-up on the legacy projects. Could you just remind us how much of the backlog is still accounted for by those legacy projects, and I believe, it was about €2 billion at year-end, so just interested to see how that developed across the quarter given Energy Carriers had another quarter where it was essentially break-even margins?

And secondly, just going back to the carbon capture project, the East Coast cluster. Do you see any difference in margins between

a carbon capture's pipeline project compared to a conventional oil and gas one? And also, just in terms of how contracts are structured, do you have any differences in the level of risk sharing you have between the customer and Saipem for example? Thank you.

PAOLO CALCAGNINI: So, I'll take the question on the legacy backlog. It's down to €1.4 billion as a total backlog. That was the number as of end of March and it will be very close to zero by year-end. Obviously, the €1.4 [billion] is mostly made by the onshore projects, vis-à-vis the only offshore project remaining which is Courseulles.

And yes, on the onshore numbers, the legacy portfolio still accounts for roughly 35% of the total revenues, possibly a bit more. That explains why the margins for onshore are still struggling because I mean, those projects come with a zero EBITDA margin and they still weight a lot on the total volumes of activity.

On the CCUS, the margins...I mean the margins when you do pipe laying are very similar to the margins that we normally do also for oil and gas because the vessels we use are the same and the complexity of the operations are very similar. So, those jobs come with a similar pricing scheme. And the risk profile is very similar to the oil and gas. So as Alessandro said a few times, it's our bread and butter and it doesn't look too different from a traditional pipe laying activity. So it comes with a very similar profile, both financially and from a risk standpoint.

RICHARD DAWSON: That's very helpful. Thank you.

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

KATE SOMERVILLE: Good morning everyone and thanks so much for taking my questions. First question is just on order intake. Obviously, it's a touch lighter this quarter, but clearly after a very, very strong 2023. And I'm just curious to hear about what you're thinking for the rest of the year. Is there still strong demand? Is there any sort of rollover in potential activity? Just any color on that would be incredibly helpful.

And then also just following up on the Energy Carriers and even excluding the legacy contracts, margins are still pretty low here. It would be really helpful just to understand when we're likely to see an inflection in these margins. Is this a case of moving through projects and getting more profit recognition? Just a bit of color around that would also be really helpful. Thank you.

ALESSANDRO PULITI: Okay. So for how we do see the future order intake, I believe that what we presented today together with the opportunities that we have already in our target and in advanced stage of negotiation, I believe that there are good chances that we will close the second quarter well ahead on our plan of order intake for the entire 2024. So means that we see achieving the target, we pose ourselves really to our end. As I said before, opportunities in West Africa are coming and there will be...we hope in the next few weeks to be announced. We have opportunities in the Far East and that certainly will be announced within the second quarter. And as I said before, in the second part of the year, starting from the summer, we believe, we will

see also activity for order intake in the Middle East picking up again. So this is the outlook.

Regarding Energy Carriers, I will give you a brief, let's say, overview and then Paolo will go more into details. Certainly, what we see, is that the new projects, acquired basically starting from the second half of 2022, under, let's say, our new strategy of being selective and protecting projects also as much as we can from possible cost escalation, is paying out. The new projects are running with margins that are in line with our expectation. And so, this is really substantiating our strategy to be selective, and to be very much focused on execution and cost control.

Regarding legacy projects, our strategy is to really deliver, deliver, deliver, so that we can close the books as quick as we can.

Now I give the word to Paolo to give you more details.

PAOLO CALCAGNINI: So, when it comes to the margins and what you can expect going forward. So last year the EBITDA margin for Energy Carriers was 0.2%, if I remember correctly. The target for this year is that we are working to bring it significantly higher. So we are targeting a margin that should get this year somewhere close to 1%. And then from 2025, you will see the benefits of the new strategy. So we will see the old projects leaving our portfolio. And the new ones kicking in with healthier margins compared to the legacy. As we said a few times, it takes time and the path for the recovery can be, when it comes to the EBITDA margin a bit bumpy, for a technical reason, which is that it depends on how much revenues you do on this or that project, because those are big projects and

if you make more revenues one quarter on a bad one obviously it dilutes the entire margins. If you make more progress on a good one, it goes the other way around. So what we can share is that we think that you will see the inflection in the margins already this year, even though you cannot expect the margins to go all the way up to say 5% in two quarters, this is not going to...this is not going to happen, but you will see an inflection going forward already in 2024.

KATE SOMERVILLE: That is very helpful. Thank you so much.

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

MASSIMO BONISOLI: Good morning. Just a follow-up on the offshore E&C outlook. Since you published your 2024 outlook less than 2 months ago, I would like to understand, if the improvement in the outlook of this division is driven more by the current execution of the project or more by the contingencies you have in your budget?

And, second question, just a comment on the general trend of the day rates of the jack-up market following the broad cancellation in Saudi Arabia? Thank you.

PAOLO CALCAGNINI: Okay. So first question on the jack-ups. It's not a cancellation actually it's a suspension which is something a bit different. Suspension means that the client is not terminating the contract it's just suspending the activity for a few months. And so chances are that the overall fleet will increase in the area in the future. Otherwise, that would have been a cancellation and not suspensions. This said the jack-up market worldwide remains

tight. And margins and rates remain very healthy. So as we said before, we will reduce the fleet by one that was already included in our budget and we will redeploy one of the rigs possibly elsewhere as long as the suspension remains in place.

And when it comes to the margins in E&C offshore, I think it's a combination of different factors. The operations are going very smoothly and it comes, obviously, with good margins and not using the contingencies that we normally have on each project we acquire and it's also a matter of leverage. The idleness of our fleet remains very low compared to the historical levels and with more operational leverage come higher margins obviously. So it's a combination of different factors, which I guess is why on our Business Plan we put the operational excellence as the first pillar of the strategy, because it's very much about delivering the €30 billion backlog as best as we can. So, it's a mix of different factors.

MASSIMO BONISOLI: Thank you.

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

KEVIN ROGER: Yes. Thanks a lot. Majority of the questions have been already answered. But just one quick follow-up just to be sure I well understood what you said. So, on Courseulles, the offshore wind project, compared to what you told us at the Q4 earnings, the execution is something like one month delay, but it does not have any impact on your profitability on this project, because you had booked already everything. Just to be sure that I well understood these statements on Courseulles, please.

ALESSANDRO PULITI: Just to have a clarification on Courseulles. We got some delays, because of the weather condition in the Port of Blyth in several situations didn't allow you to ask to utilize cranes and doing work at height, because of very heavy wind we were experienced in the last months there. But it's not true that we said that we are losing one month entirely, because we did carry out several other activities that were supposed to be carried out at sea once the unit has left the Port of Blyth. So, we will move almost one month later than expected, but this will be partially recovered with a quicker pickup of activity when arriving in location, because much commissioning activity, that was supposed to be done at sea, we took occasion to do it on land while basically waiting on weather for certain operations. So this is the reason why you do not see a significant financial impact.

KEVIN ROGER: Okay. Thanks for that.

OPERATOR: The next question is from Guillaume Delaby of Bernstein. Please go ahead.

GUILLAUME DELABY: Yes. Good morning, Alessandro. Good morning, Paolo. Two questions if I may. First, I just wanted to be sure that I have understood correctly that you said that you expect a full year order intake target to be reached in Q2 2024. Can you confirm?

ALESSANDRO PULITI: It's not that we will reach the full year in 2024 in mid of the year. What I said is that, by mid of the year we should be well ahead in the track of reaching our final target of 2024. So because I see, let's say commercial activity in the last mile for delivery. This is what I said, and this is very encouraging also for the second part

of the year. So this is why I'm confident we will reach our target for order intake as of 2024. But we will soon see signs of this activity, that's clear.

GUILLAUME DELABY: So, I was right to ask for this clarification. My second question is, I understand that on CCUS, you want to capitalize on your pipe laying capabilities. My question is regarding your agreement that you signed one year ago with Mitsubishi, who in my view is probably is the world leader for CCUS technologies. So my question is how things are working with Mitsubishi? How this partnership on CCUS is working, and if you can provide some color about it? Thank you.

ALESSANDRO PULITI: Clearly, the agreement, we had for the utilization of Mitsubishi technology in carbon capturing has a very important place in our ability to make a very wide offer, when it comes to carbon capture, because we have our own technology the Bluenzyme 200 that entails really with small and medium-scale meters emitters, while with the Mitsubishi technology we can cover the big scale emitters. So, this allows us to have a complete offer for all kind of solution for carbon capture, at the chimneys of our clients. So, really this gives us power in this sector. And you know, the fact that the pipelines for CCUS, for CO2 transportation are moving, then will drag also we think the market for carbon capture, because, clearly, no one will invest on carbon capture unless there is the opportunity to put the CO2 in a pipeline and deliver to a storage site. So, in my opinion, the pipelines for CO2 they are acting the same role of drilling in the traditional oil and gas, drilling comes first and then the development follows. And this is in the case of CCUS, pipelines come first, and then the carbon capture plants they do follow.

GUILLAUME DELABY: Thank you very much Alessandro. I'll turn it over.

OPERATOR: The next question is from Francesco Sala of Banca Akros. Please go ahead.

FRANCESCO SALA: Yes. Good morning. Thank you for taking my question and congratulation for your results. Just one question, I wonder whether given the current market scenario and your pipeline, is there any chance you are going to expand your current fleet to maybe seize more opportunities down the road? Thank you.

ALESSANDRO PULITI: So, we are expanding the fleet, this is a very interesting question. So, for the time being, you know, we are already expanding the fleet, because this year the JSD 6000 new pipe lay and multi-purpose vessel will join our fleet on rental basis, because again, it's part of our asset-light strategy. It will become available to us, around mid of the year. So we are already expanding, and we are constantly looking at the market for opportunistic situation, because if there is a vessel and we do have work and job for that vessel, I would say, why not? But what I can assure you, we will never ever again build a single vessel on speculation. So only if there is a clear pipeline of jobs.

FRANCESCO SALA: Thank you.

OPERATOR: This concludes our Q&A session and our call. Thank you for joining. You may now disconnect.