Saipem S.p.A

"Full Year 2023 Results and Strategy Update Conference Call"

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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 Full Year 2023 Results and Strategy Update Conference Call. As a reminder, all participants are in a 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 Alessandro Puliti, CEO and General Manager of Saipem. Please, go ahead, Sir.

ALESSANDRO PULITI: Good morning and welcome to Saipem 2023 full year results presentation and strategy update. I'm here with our CFO, Paolo Calcagnini and with the rest of the top management team. We will start with a review of the key achievements of 2023 and will then go through the 2024-2027 strategic plan, including our financial targets and the expected capital allocation.

Let's start with the highlights of the fourth quarter 2023. I'm pleased to report that we delivered another quarter of strong execution. We achieved revenue growth of 20% year-on-year and 16% quarter-on-quarter, largely driven by the contribution of our offshore activity.

EBITDA growth was also strong at 91% year-on-year and 24% quarter-on-quarter. In particular, EBITDA in quarter 4, 2023 was the highest since the last quarter of 2019, and we have grown EBITDA consistently since Q4 2022. EBITDA margin stood at 8.1%, reflecting the strong progress made on E&C offshore and the progressive reduction in the weight of the legacy projects.

In Q4 2023, Saipem generated €91 million of total cash flow, reaching a record-level position on net cash of €216 million. The order intake in Q4 was also very robust, with €5.7 billion representing a 10% increase compared to the €5.2 billion recorded in Q3 and implying a book-to-bill of 1.6 times. Once again, the E&C offshore portion of the order intake continues to be significant. In summary, Q4 2023 was another quarter of operational delivery and financial growth, consistent with our objectives.

The work we have undertaken in the last two years has been aimed at restating a trajectory of profitable growth and cash flow generation. And that is exactly what we achieved. The strong trajectory, both in terms of revenues and EBITDA, is now converting into positive cash flow.

The operating cash flow we have generated in 2023 has more than offset the negative operating cash flow of 2022. Let's now focus on the main achievements of 2023. The order intake last year stood at €18 billion, of which two thirds related to the E&C offshore projects. The order intake of the year included €3 billion of subsea activities. We have experienced another order intake growth for more than 30% year-on-year.

The backlog at the end of 2023 stands over €30 billion, with more than half of it related to E&C offshore activities, including close to €4 billion of subsea projects. Our backlog has grown by 24% year-on-year. The progressive shift of our backlog toward offshore E&C is a remarkable achievement, which reflects on one hand the strength of the overall market, but also the ability of Saipem in capturing opportunities.

This shift was part of the plan we executed in the last two years and remains a core pillar of our updated strategy. The current backlog provides us a high level of visibility in terms of revenues for 2024-2027 Plan. We will most likely increase the level of visibility in the first few months of 2024 through some sizable new awards that we are currently working on.

Progress in the execution of legacy projects continues at a sustained pace. Those projects today account in our backlog for less than €2 billion, corresponding to less than 10% of our total backlog. More importantly, the expected residual cash flow related to the legacy project is marginal, estimated at €100 million for 2024.

Cash flow generation is becoming almost an obsession here in Saipem. In 2023, operating cash flow stood at €586 million and free cash flow stood at €248 million. This has allowed us to reduce our gross debt by more than €200 million in 2023.

Another important area of work that has kept us busy in the last 2 years has been to transform Saipem into a more reliable and predictable company. What we are pleased to report is that for the second year in a row we have met our objectives over-performing our guidance.

For 2023, we are particularly pleased that we have performed well in terms of deleveraging and cash flow generation, on top of having delivered solid results in terms of revenues and EBITDA.

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

PAOLO CALCAGNINI: Thank you, Sandro, and thanks everyone for joining the call today. Let's start from the Slide #9 which shows the 2023 results compared to 2022. As you can see from the right-hand side of the slide, our operating cash flow was positive for €586 million despite spending €380 million on legacy projects. We see it as a remarkable result that shows how we turn margin improvements into cash generation.

Moving leftward, our net result was €179 million with more than a €100 million coming from the fourth quarter 2023 which was the best quarterly net result since Q3 2013. This was also the fourth consecutive quarter that we have positive net income.

EBITDA grew by 56% year-on-year to €926 million with an EBITDA margin increasing from 6% to 7.8%. I would also like to point out that in 2022, we deducted €52 and €70 million of one-off cost from EBITDA and net results respectively, but there are no adjustments for 2023 results.

Let's now go through the different business lines and let's start with Asset Based Services on Page 10. The business line reported €6.1 billion in revenues which increased by 21% compared to the previous year, showing a good performance across all main regions in delivering projects. The revenue growth has been particularly strong in Q4 2023 versus the previous quarter, due to the start of a few recently acquired projects such as NFPS 2 in Qatar, Mellitah in Libya, and Sakarya in Turkey.

EBITDA was €614 million, with a margin of 10.1% rising almost 200 basis points compared to the year 2022. The main factors here are a better revenue mix, more subsea projects and more contribution from projects that were awarded in 2022 and 2023, that reflect improved market conditions, and also due to the high utilization rate of the main vessels. Plus, the wind offshore projects that we completed in the past two years, including NNG, have also helped us to improve the EBITDA margin and cash flows and we expect this trend to continue in 2024.

Moving to Page 11 and where you see Offshore Drilling results, revenues grew 32% compared to the previous year. EBITDA was up 73% from €174 to €301 million with an EBITDA margin which is slightly above 40%, as opposed to 31% in 2022. The performance improvement came mainly from three factors: two new vessels that entered the fleet in 2023, namely the DVD and the Perro Negro 11, the increase of the market day rates, especially for deep-water vessels, and higher utilization of several key vessels, in particular the semi-sub Scarabeo 8 and the jack up Perro Negro 8, that went through maintenance activities in 2022. We expect that both revenues and EBITDA will grow in 2024 compared to the previous year because of a combination of higher average daily rates and a larger fleet and more usage.

Moving to Energy Carriers on Page 12, you can see revenues that grew by 15% year-on-year, on a relatively stable backlog. Growth was led by higher volumes in the Middle East, Sub-Saharan Africa and Americas. Most importantly, growth was also the result of the increased pace at which projects are being executed and therefore a signal of healthy operations.

On the other hand, EBITDA margin is still close to zero for the reasons that we have already discussed during the previous quarterly presentation. First, the weight of the legacy projects is still material on overall revenues, accounting for more than 30% of the total in 2023. Second, the projects acquired during the new cycle, let's say the last 11 - 18 months, still have a limited effect on the P&L of the division, but will accelerate in 2024.

In fact, in 2024, while we expect further progress on the execution of the legacy projects, we also foresee a higher contribution from recently awarded projects, such as Hail and Gasha, and stronger contribution in the overall mix.

Let's have a look at the overall P&L on Slide 13. I would like to remind you that in 2023 our reported results matched our adjusted ones because there were no special items. In contrast, in 2022 we had €52 million of special items on the EBITDA and €70 on the net results. We have already discussed the net results and the EBITDA, so I would like to point out some items below EBITDA.

First is net financial expenses that went down from €195 to €167 million in 2023, mainly because of lower interest and fees and more income on cash in 2023. The reduction in interest and fees was partially balanced by the increase in hedging cost on currency exposures because of higher level of activities overall.

The result from equity investments was positive by €60 million last year, while it was negative for €65 in 2022. The increase in the result from equity investments is mainly due to the positive results of non-consolidated companies and by the disposal of non-core and non-consolidated assets.

Finally, income taxes amounted to €145 million, substantially in line with 2022, notwithstanding the higher income we reported. This is due to two factors. First, part of the taxes are withholding taxes that are paid on revenues rather than on net results and on a tax reimbursement on corporate income tax that we received in 2023. For the full year 2024, we expect taxes at around €160 - €180 million.

And moving to Page 14 where you see the cash flows. At the end of 2023, we had a net cash position of €216 million before IFRS16, with an improvement of €91 million versus the end of the previous quarter and €160 million versus the beginning of the last year. The positive outcome was made possible by the generation of €586 million of cash flows from operations driven by strong operational results and by a reduction in the working capital, that more than offset the €382 million negative cash flow that comes from the legacy projects.

CAPEX amounted to €483 million, marginally above the €450 million of our guidance, but this amount includes the €92 million that we spent for the acquisition of the Sea Lion 7 in December of the last year, while the remaining CAPEX were mainly related to the fleet maintenance. We also had the €145 cash inflow from the sale of non-core activities, mainly related to the Cidade de Vitoria FPSO and a few other disposals that occurred in the last year.

Net debt post IFRS16 was €261 million after the effect of €477 million of lease liabilities. I think that the €157 million increase in the lease liabilities deserves a few words of explanation. Two factors closely related to our capital light strategy have driven the increase:

1) we are extending the leasing contracts as we have more clarity and visibility on the amount of work that we need to do over the

next two to three years. In fact the average length of the lease contracts went up by 60% from 0.8 to 1.3 years. In accounting terms, longer contracts raise the value of the lease liability.

2) we signed contracts for new vessels as we are expanding our operational capacity. This reflects our plan to avoid investing in more vessels and to keep our operations adaptable in the medium term, while still benefiting from the market growth. Our CEO will talk more about this later in the presentation. The fleet is expected to keep expanding through leasing agreements in 2024 and this is meant, as I said, to ensure more capacity to handle the high demand and backlog for the offshore E&C projects.

Let's now have a look at the liquidity and debt structure at the end of 2023. We are at Page 15 of the presentation. In Q4 2023, we repaid €311 million of debt, of which €120 to a tender offer on the 2025 bonds, €150 with the prepayment of banking facilities and €41 of repayments of other financial debts. Overall, in 2023, we have reduced the gross debt by €237 million and extended the average debt maturity from 2.6 to 3.1 years.

As you can see from the waterfall chart with the blue bars on the right side of the chart, our liquidity position substantially covers our gross debt maturities until the end of 2026. In terms of financial strategy, as you can see, we have no significant maturities this year. However, we may pursue some further debt optimization through new liability management actions on an opportunistic basis. As we will see later in the presentation, we expect a substantial cash flow generation in the next four years, 2024-2027, and this will lead to a reduction in gross debt over the business plan horizon.

I will now hand over to Sandro for an update on our strategy.

ALESSANDRO PULITI: Thank you, Paolo. And let's now move to the strategic update. Let's focus on the key strategic developments of the last two years. In terms of strategic refocus, we completed the disposal of the drilling onshore business, which we deemed no longer having a strategic fit with Saipem. We have proactively shifted our backlog to offshore E&C, representing two thirds of the overall order intake of the last two years, as well as strengthened our value proposition in gas and low carbon projects.

We've continued to be very selective in the E&C onshore acquisition, by focusing on fertilizing plants and integrated projects, where we deliver the entire One Saipem to our clients. And lastly, we have implemented a capital light vessel strategy to retain flexibilities versus market cycles. This approach will continue throughout the plan.

On the change management side, we have instilled across the entire organization a very strong focus on cash flow generation and a higher finance discipline in making capital allocation decisions. In addition, we have centralized the bidding process and as such facilitated the application of the One Saipem approach. We've also focused on reducing our cost base through a rationalization of our global footprint, something that will also continue in 2024 and beyond.

Lastly, we have also reinforced management objectives and better aligned incentives. All these actions represent the foundation of the plan we are presenting today. Our updated strategy and business plan is based on five pillars, namely: Execution Excellence, One Saipem, Operational and Financial Flexibility, Innovation and Energy transition solution, and Dividends. All these five pillars are supported by our focus on health and safety and business ethics.

Let me go through the five pillars in more details. Execution excellence means maximizing the value creation from the existing backlog through a stronger integration of Saipem competencies and the optimization of our asset utilization schedule. One Saipem means leveraging on our unique capabilities both offshore, onshore E&C and drilling and continue to win large integrated projects, some of them might be announced soon.

Operational and financial flexibility means maintaining a capital light approach on vessel, rationalizing our global footprint, maintaining a sound capital structure and strong financial discipline, with the objectives of being more resilient to potential market downturns. Innovation and energy transition solution means on one hand to strengthen our commercial focus on offshore wind but also CCUS, hydrogen and ammonia and it means to further develop a portfolio of options of other innovative technologies.

Lastly, our new plan entails, for the first time in many years, an attractive and sustainable stream of dividends being distributed to our shareholders. We aim to distribute 30% to 40% of our cash flow, sharing with our shareholders a tangible portion of the value we create, whilst, at the same time, maintaining flexibility to further invest in the energy transition.

Let's now focus on a couple of topics that are key to Saipem, namely our vessel strategy and our readiness in terms of energy transition.

Starting from our vessel strategy, we are clearly witnessing a booming market as far as offshore engineering and construction is concerned. We have decided to tackle the strong demand from our clients through a flexible vessel strategy based on securing capacity through leasing, as opposed to buying. This strategy is aimed at retaining flexibility in order to better weather the market cycles.

As you have seen from our financials, we have increased materially our leasing commitments in 2023. We have also increased the average duration of the leases of the E&C vessels from less than one year at the end of 2022 to 1.3 years at the end of 2023. This activity will also continue in 2024, as we secure more vessels to perform the work we have been awarded by our clients. This will also lead to a further rejuvenation of our fleet.

An example of this approach is the leasing of the JSD, which is the last generation deep water heavy lift and pipe laying vessel. We moved very fast with the leasing agreement in 2023 versus our competitor and the vessel is scheduled to be delivered to Saipem by mid-2024 and we have already fully booked the schedule of works until mid-2026, with the project planned in the Far East, South America and Mediterranean Sea.

As a global and diversified energy service company, Saipem will continue to play a leading role in supporting its clients in the energy transition. Our thesis is simple: the energy transition will be delivered by engineering company that have the technologies and the strong project management capabilities. Saipem can leverage on a strong positioning and execution both offshore and onshore projects and we're also able to deliver both upstream and downstream solution.

Over the years, we have gained significant experience in fixed foundation for wind farms and we have proprietary solution in floating wind in particular with the STAR 1 design which has been certified by DNV. We have also a lot of experience in handling CO2, a field where we have developed a proprietary carbon capture technology, called Bluenzyme. In the next four years, we will also make further progress on bio refineries, also through the agreement with Eni.

Alongside the energy transition, let me remind you that we are already very attractive in building sustainable infrastructure, such as high-speed railway and we have a long-standing track record in fertilizers, also thanks to our proprietary urea technology. In a nutshell, through our consolidated track record and portfolio capabilities, we are ready to support our clients in the energy transition in whatever form or whatsoever pace it will unfold. And we will do this from a position of strength, backed by a strong momentum in the oil and gas market.

We are particularly confident about the business plan we are presenting today as we have already a very high degree of visibility on the top line. The visibility is likely to increase further in the first part of this year.

Our 2024 revenues are already 90% covered by the existing backlog and for 2025, we are 70% covered. Overall, almost two thirds of the revenues of the entire plan are covered. More importantly, the quality of our current backlog, the overweight portion of offshore activities including both E&C and Drilling, and the fact that the current backlog has mostly been acquired in the last two years, also through the de-risk contractual mechanism, make us very confident in achieving our short-term guidance and medium-term targets.

Our current backlog grants us a very high level of visibility for the next two years. In addition to execute the current backlog, we expect to win approximately €50 billion worth of project in 2024 - 2027, which compares well with the €47 billion order intake in the last four years. The expected order intake for 2024 -2027 is backed by solid assumption, also considering the strength of the overall energy cycle, in particular in the offshore market.

The bulk of the order intake is expected in offshore E&C, including wind, and onshore E&C, together making almost 90% of the total order intake. We expect €16 billion of the order intake to be related to low carbon projects, well distributed across offshore wind, sustainable infrastructure, Blue solution and CO2 management and bio refineries.

It is also important to note that we expect to win several integrated projects under the One Saipem approach, where we will offer to our clients both offshore E&C and onshore E&C capabilities, in a similar fashion to the other projects we won in the past, such as Hail and Gasha, Quiluma & Mabuqueiro, Baleine, Cassiopeia and Zohr Field.

For 2024, we expect revenues in a range of €12.7 to €13.3 billion and to achieve an EBITDA margin of approximately 10%, bringing forward by one year the profitability target of the previous plan. Operating cash flow post lease payment is expected in a range of €740 - €780 million. We plan to spend €440 - €480 million in maintenance CAPEX this year. This means a total cash flow of approximately €300 million for 2024.

As already mentioned, we have a very strong visibility on our top line with the current backlog making approximately 90% of the expected revenues for 2024. When it comes to medium-term targets, we expect revenue to grow at an average annual rate of 4% to 5% from 2023 to 2027, with the bulk of the growth materializing between 2023 and 2025 and then a flatter profile to 2027.

Our target EBITDA margin in 2027 is 12%. We expect a relatively stable margin between 2024 and 2025 and a stronger margin increase in '26 and '27. Overall, throughout the plan, we expect to generate a total operating cash flow post lease payment of approximately €3 billion and to spend CAPEX for €1.4 billion. This will lead to a cash flow generation post lease payment of approximately €1.6 billion between 2024 and 2027.

Throughout 2024 to 2027, we plan to distribute dividends to shareholders equal to 30% to 40% of the free cash flow post lease payment, which means distributing a total of €500 to €600 million, which is close to a third of the €2 billion equity raised by Saipem in 2022. The portion of the cash flow that will not be distributed will be utilized to further deleverage the company and possibly to accelerate investments in asset and technologies to support our clients in the energy transition.

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

Q&A

OPERATOR: Excuse me, 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 the touchtone telephone. To remove yourself from the queue, please press "*" and "2." Please pick up the receiver, when asking questions. Once again that's "*" and "1" for questions.

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

ALESSANDRO POZZI: Hi, good morning. Well done with this update. The results and guidance look like well above our consensus. I have a few questions here – I'll just try to limit myself to a couple. The first one is on the cumulative order intake of €50 billion: I think a small upgrade versus last year of €48 billion and it implies like €12.5 billion per year. What are your assumptions behind this number? Can you talk about the number of vessels new and leased that you need to achieve this target? Can you also maybe talk about how you see your utilization rates across the offshore E&C fleet evolving over the plan? And whether you have captured some of the potential opportunities in new regions like Namibia, for example, or Latin America? And whether it reflects the postponements of projects in Saudi Arabia as it was announced at the start of the year? Also, I would be keen to know what type of lease payments you have backed into the new operating cash flow guidance and if you can give us maybe more color on where you will spend the CAPEX over the next few years – I think there is a small increase versus the previous targets. Thank you.

ALESSANDRO PULITI: Okay, thank you. I will reply to your first question while the second one will be handled by Paolo. So, our cumulative order intake assumption versus our vessel fleet – how the two things they do match together and which is the expectation. So, the order intake assumption is based on our current fleet. So, we didn't speculate in any new vessel coming. Clearly, a new vessel that will come in an opportunistic way, if this will be supported by the market and the demand. But what it is in our current and what we presented as order intake is fully supported by our existing vessel fleet.

Regarding your point on the possible postponement of some project in Saudi, you know that the plan was containing already when it was prepared a reduction of the weight of the Saudi order intake during the plan. So, we were having, for example, expecting an order intake around 20% less than what it has been the order intake between the period 2021 to 2023. So, the recent announcement basically has no effect on the plan that we presented. On top of that, clearly, I would like also to stress that our asset light strategy, capital asset light strategy when it comes to vessel, allows you, in case, to reduce our, for example, number of jack up as necessary without impact on the plan that we presented.

So, now I will hand over to Paolo for the second part.

ALESSANDRO POZZI: What was the order intake between 2021 and 2023 and are you factoring in new opportunities like West Africa, Namibia and Latin America?

ALESSANDRO PULITI: Oh yes, definitely we are factoring new opportunities arising in West Africa with possible new clients, but also with our historical clients. Certainly, they are in and they do represent, let's say, real demand that is based upon tenders being issued and so there is no doubt that we are accounting for them as well.

ALESSANDRO POZZI: And on the orders in Saudi Arabia?

ALESSANDRO PULITI: The orders of Saudi Arabia, as I said before, in the plan – the plan was already prepared including a certain reduction in the order intake in Saudi Arabia because, to be honest, we have plenty of project to be delivered in Saudi Arabia. So, in the next 2 years, we were mainly focused on delivering of the existing projects which have been not affected by the recent announcement at all. So, as I said you before, compared to the previous plan, the current plan contains around 20% average order intake less than we were expecting in the previous plan but the reason of that is because we are focusing on delivering the existing backlog in Saudi Arabia. Paolo?

PAOLO CALCAGNINI: Yeah. So Alessandro, when it comes to lease payments and leased vessels, well the lease payments in 2023 were roughly €140, in terms of cash wise it was around €140 million. The number will go up to roughly €250 in 2024 and then it will decrease slightly to around €20 million per year for the remaining 3 years, so '25 to '27. And the underlying is that we are extending existing contracts and we are adding new vessels to the fleet to execute the backlog that we already have in our portfolio. So today we have roughly 40% of the vessels that are leased on the total and this is a percentage that will slightly increase over the next 2 years. And we think this is the way we managed to deliver on the huge backlog while maintaining flexibility in the medium term because most of those contracts will expire by the next 2 to 3 years.

ALESSANDRO POZZI: Okay, thank you very much.

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

KATE SOMERVILLE: Hi, good morning. Thanks for taking my questions. Yeah, it's Kate from JP Morgan. Just a quick one on Mozambique, I know there's been some attacks nearby recently. I'm just wondering about whether this is still included in your backlog, particularly for 2024, and whether you're still expecting this to start by the middle of the year?

And then just an update on the Castorone in Australia for Woodside, can you confirm that there's no financial impact from that or is that still potentially a risk?

And then finally, can you just talk a bit more about the outlook for Offshore Drilling, especially in light of the recent Saudi announcements? Do you see potential headwinds to daily rates or utilization? I'm just trying to understand your confidence there. Thanks.

ALESSANDRO PULITI: Okay, thank you. So, regarding Mozambique, to be honest, we have little to add from what was very well already clearly explained in the call of our client, so Total Energies. So, basically, what we can say is that as contractors, we are gearing up and organizing all the engineering activities for the restart and the logistic organization for the restart. And this is what we are actually doing today. And we hope we will come back by mid of the year. And this is also corresponding to our assumptions.

Regarding Castorone, Castorone suffered two incidents at the beginning of the year. It's back working since and received on February 13, the authorization from NOPSEMA, the Australian relevant authority to restart operation and it's currently working. But I would like to stress that in both situations, there were no injury, no threat to safety to people onboard. And the activities have being resumed according to the updated plan agreed with our client, Woodside. So that's the situation of Castorone now.

Outlook of drilling – we still see a very strong market for all deep-water fleet. Actually, we are moving the Scarabeo 9 semi. It's on its way to Egypt to start a new contract in the country for Rashpetco, our client there. So, this is a new activity being restarted. Scarabeo 9 is just out of its five year statutory maintenance. So, we see things going ahead. And so, our utilization of the drilling fleet is completed. Now, all the rigs are working.

Regarding the activity in Saudi Arabia, our fleet of jack ups is currently working and the new rig, the Perro Negro 13, is about to start its activity coming out from the rig preparation. This is a new rig we brought under the capital light strategy in the country. So, I believe that we'll start in the next new weeks activities. And as I said before, if the client wishes to reduce the number of rigs, we are ready because our capital light strategy allows us to release rigs without having impact on our plan, since this will be just returned to the company which leased to us the rig. So, that's where we are standing now in terms of outlook of drilling.

KATE SOMERVILLE: Very clear, thank you very much.

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

MARK WILSON: Yes, thank you and good morning. The first question I'd like to ask is, within the backlog that you've added this year, you particularly called out the amount of subsea backlog. And so, that would appear to be a strategic important point. So, could I ask how you see expanding the subsea nature of the business? That is a market that's consolidating into a few main players in terms of the equipment. I just wonder if there's anything you can speak to on that from a strategic side of things, that business.

And then the second point, obviously remarkable backlog growth, €30 billion now, 25% up year-on-year and frankly about 25% above the record pre-COVID. Do you think it is possible to grow further beyond that level? Or do you think it's now a case of focusing more on the execution and maybe maintaining backlog as high as it can be towards that level given the outlook you've given? Thank you.

ALESSANDRO PULITI: Okay, so thank you. How we do see the subsea market? Clearly subsea market, it is a market very important for Saipem. We see there are growing opportunities, and there is a very tangible fact on how serious we are on the subsea. We took the JSD 6000 new lease vessel rightly to serve the subsea market with also capability of pipe laying. So this vessel, it's a vessel that it is multi-purpose but certainly the main driver that led us leasing this vessel, it is the growth we see and we expect in the subsea market. And the proof of that is that we took this new vessel that is already marketed for the next two years basically with 100% of utilization of the vessels. So this is the view we have. We expect the subsea to remain strong and on the basis of already acquired contracts.

Focus on the execution; certainly I do agree 100% with you. Our focus for 2024, as I said this is one, the first pillar of our strategy for 2024, is to be excellent in execution. We have a very important backlog. As we said, 90% of our revenues of this year are covered by existing backlog. There is no other option than to deliver. So this will be the real focus and our main, utmost let's say, effort will be in execution certainly for 2024.

MARK WILSON: Thank you very much. Maybe if I could just go back to the first. Really, I understand obviously you've got a lot of installation capability with the vessels but in terms of subsea equipment, whether there's anything you want to do there of a strategic nature to increase exposure to that side of the market?

ALESSANDRO PULITI: We are not a subsea manufacturer, so we have, as you know, a commercial agreement with TechnipFMC. They are manufacturers, so whenever it's possible we work together with them to serve this market, joining their manufacturing capabilities and our capabilities for installation. That's how we do see, although we work also with many other players in the installation.

MARK WILSON: That's great, thank you. I will hand it over.

OPERATOR: Next question is from Guilherme Levy from Morgan Stanley. Please go ahead.

GUILHERME LEVY: Hi, good morning, everyone. I just wanted to ask, during the plan to 2027, is there any updated net debt target that we should work with or how does the company see its optimal capital structure going forward? Just thinking about the policy to distribute 30% to

40% of cash flow as dividends. You commented a little bit on the other uses for the other 60% to 70% of that, but I was just wondering if at some point a share buyback program could make sense.

And then a second question, if I may. The company exercised a purchase option for a jack up this quarter and I just wanted to pick your brain on other opportunities to exercise more call options going forward. How many does the company still have and what's the rationale to continue doing that going forward? Thank you.

ALESSANDRO PULITI: So Paolo will answer to your first question.

PAOLO CALCAGNINI: So in terms of capital structure, let's do some simple numbers. This year, the target is to do a free cash flow of €300 million, of which, given our dividend policy, we expect to pay €100 million roughly to the shareholders with remaining €200 in our hands. And obviously €200 will likely go to further deleveraging of the company. We said a few times that we want to get to a net zero debt position including IFRS liabilities. We are very close…very, very close, not yet there. And then we will retain some cash to see if there are any opportunities for investment, especially in new technologies and in those markets that have been possibly struggling in the last two or three years in terms of demand. But this is a flexibility that we think we need to maintain in the short to medium term. Then when it comes to your question to buybacks, well it's not an option we are considering today. Let's see how the 2024 goes and then it's always something that the companies look at and but the very strong focus is to generate cash this year and pay the dividend that has been missing for a while from Saipem.

ALESSANDRO PULITI: Okay Paolo, so I will answer to the second question regarding whether or not we have other option to purchase any jack up or any vessel in our fleet. In the short-term, we have an option to purchase a jack up that is expiring in the summer, this year. So we will simply evaluate whether or not it will be convenient at that time to exercise the option or not. Now you got our strategy basically completely unveiled and so this also depends how the market in the Middle East will look like. So that's why I said before we are not so worried about, because in case there is a reduction of the market, we will not exercise the option and we will release the vessel. Or if the market instead will be sustained, we will exercise the option, take the vessel and continue working. That's the situation. So in the short-term we have one further option to be exercised.

GUILHERME LEVY: Okay, thank you so much.

OPERATOR: The next question is from Guillaume Delaby from Société Générale. Go ahead.

GUILLAUME DELABY: Yes, good morning. I just would like to have an update about your legacy projects. If I remember correctly the backlog for legacy project was €1.9 billion at the end of Q3. So where are we today? And should we still assume that the negative impact on cash flow from this legacy backlog is likely to be, let's say, between €50 to €75 million per quarter over the next 4 or 5 quarters? Thank you.

PAOLO CALCAGNINI: So the backlog was at the end of 2023 below €2 billion, it was around €2 billion in the presentation but is actually a bit lower. And in terms of cash out, there is a remaining €100 million to be spent. They will not be spent let's say divided by four in the quarters because it depends on the execution of the projects but we will spend them by end of this year for sure and how much in the different quarters will depend on the speed at which we deliver on the different projects. It depends obviously in the installation campaigns when it comes to Wind and in the execution of the works on land when it comes to Onshore projects. But end of 2024, you will see roughly €100 million of cash out from the legacy projects with the remaining backlog being very close to zero.

GUILLAUME DELABY: Very clear, thank you very much.

PAOLO CALCAGNINI: Thank you.

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

ROBERTO RANIERI: Yes, good morning, everyone, and thanks for taking my question. Just a couple of clarifications. The first one is on net debt. Could you please elaborate on what the contribution of down payments from new projects were in the net financial position at year end and specifically, if you can elaborate or also can disclose also specifically on Hail and Gasha?

My second clarification would be on Australia. Again, the Australia incident and if you can share with us how long could be the additional time to recover, you know, the time lost for this incident and which the impact will be in terms of cost?

My third one is on strategy, and I'm referring to the One Saipem strategy and specifically on the operational strategy for Saipem and specifically also on commercial activities. Could you please share with us what the chain of control that you have in, you set? Also, in terms of commercial activities and bidding process? And if the environment we have in this moment for both the Onshore and Offshore segment could lead to different policies in terms of contingencies for the bidding, for setting a price for a project? Thank you very much.

PAOLO CALCAGNINI: So thanks Roberto for the questions. I'll start from the from the down payments or advance payments. Well, actually the impact of the advance payments, the net impact of the advance that we got on new projects minus the consumption of previously awarded payments was close to zero in 2023. So the improvement in the net financial position doesn't come from a net increase in the advance from clients. When I say that it's close to zero, I mean that it's lower than €40 million on the entire 2023. It was by the way negative in Q4 because we spent more of the advance payments than the new ones that we cashed in.

And then your question on Australia, so on Australia, I mean it's…you know that projects are typically covered by contingencies that are meant especially in offshore to cover possible incidents that may occur when doing our job. So we obviously will have some costs associated to the incident, this is clear. Some of them will be covered by our insurance policies and in any case, offshore projects have typically contingencies that are meant to back possible incidents up when it comes to the margins. So financially not a big deal.

ALESSANDRO PULITI: Just to add on, sorry, the incident of Castorone means that we have to re-lay 400 meters of pipeline out of a 370 kilometers pipeline should be laid. This gives you the physical and numerical impact.

So it's 400 meters out of 370 kilometers, just to complete the answer of Paolo.

Paolo, go ahead, please.

PAOLO CALCAGNINI: Yeah and by the way, the 2024 guidance is the best of our knowledge when it comes to the overall results of Saipem. So they include all the information we have when it comes to the 2024 results on our overall portfolio including everything.

And then you asked the question on One Saipem, if I understand, one was on where we stand in terms of integrated offers. I can think of at least two big integrated offers that we're now working on and where we are relatively optimistic about the outcome.

And then you asked a question on the bidding process. So basically, all the bids that are…all the bids go through the scrutiny of the committee where all the top managers are sitting including the CEO, CFO, Head of Commercial and all the business line leaders. And so they are scrutinized with the same criteria when it comes to analyzing the robustness of the hypothesis, assumptions, tendering etc., and whatever is above €750 million goes to the Board then for final approval.

And contingencies, well they depend on the complexity of the bid. There are certain projects where contingencies are necessary because it's a riskier project and there are projects where you are covered by provisions with the client or contractual agreements where contingencies are typically lower. So there isn't a straight answer like contingencies are "x" for offshore or "y" for onshore, it depends on what type of projects we're bidding for. But everything goes either to the CEO and top management or to the Board if it's above €750 million.

ROBERTO RANIERI: Okay, but do you think, just to have an idea on that, do you think that this context, competitive context in both the offshore and onshore will allow to have a healthy contingencies for the EPC contractor or the competition is increasing so basically this is a good squeeze at this kind of a part of the bidding price? Thank you.

ALESSANDRO PULITI: But including healthy contingency, it is part of our strategy since beginning of 2022. So it's not whether we will do or we plan to do. We are doing, we are including today healthy contingencies in the projects we are carrying out both onshore and offshore because this is part of our new commercial strategy. And when we speak about, for example, selective approach for the new order intake in the Onshore E&C, means exactly selecting those projects where we can have reduced risk and healthy contingency associated to the project. That's…when we say selective, this is exactly…this means that we do not take new project at whatever condition just for the sake of taking it. Just and this is, okay.

ROBERTO RANIERI: Okay, good. Thank you, very helpful.

OPERATOR: The next question is from Mick Pickup from Barclays. Please go ahead.

MICK PICKUP: Good morning everybody, probably the best results I've seen on February 29th, today, thank you. A couple of questions, if I may. Can we talk about the integrated projects, clearly, you've been seeing an acceleration of those over recent years and you've now broken into the Middle East. So can you just talk about the four that you're highlighting in the Appendix? What type of regions we're in? What type of projects they are? That is the first question. Thank you.

ALESSANDRO PULITI: Okay. When we say integrated projects, those are projects where we do integrate all Saipem capabilities. We are a bit different between our competitors, actually there is no one single competitor that has the same portfolio offer as Saipem, so we do drilling offshore, we do offshore E&C construction, and we do onshore E&C construction. We build FPSOs and we do operating and maintenance of some of the facilities we built for our clients. So what we mean by integrated projects, for example, when we offer…when we have the opportunity to offer for an FPSO and we will offer also for the surf activity, for the mooring activity of the FPSO, for the pipelines that are needed to connect the wellheads to the FPSO itself, and maybe offering also the operating and maintenance services for the FPSO itself.

So we can make a unique proposal to the client and this becomes attractive for the client because we can build in synergies that can be partially transferred to the client and partially can be retained to ourselves. So we create win-win situation when it comes to margin. Then we can have a fast track approach very much controlled because in that case we do control directly all the interfaces between the different part of the projects, of the project being associated.

So we give an advantage to the client that then we can factor within our proposal. And this has happened in West Africa, certainly, it has happened in the in the Middle East, it's not a secret for the Hail and Gasha where we are combining our capabilities in sour gas management on very complex plants. And those are partially built on artificial island that this is very much close to our traditional E&C onshore activity together with our ability to lay pipeline, cladded pipeline to transport sour gas on which we have a distinctive, I would say, approach and we are recognized as best-in-class in this activity. So this is what we mean synergies, presenting clients integrated offers where we create win-win situation for the clients and for ourselves.

MICK PICKUP: Okay, thank you. And can I just talk about the offshore drilling business? I've never seen so little white space on your Gantt chart for offshore drilling. So I wonder if you could just help us by giving what you think the order of magnitude of the increase in profitability in offshore drilling is going to be in 2024?

ALESSANDRO PULITI: So, we didn't present the slide because in 2024 our vessels are all fully booked, so it would have been a very pretty boring slide on that point of view. And so they are all under contract, so there is no…in one sense, there is no possibility to further increase the revenue stream from this situation. But as Paolo was mentioning, most of the fleet went through the five year maintenance in 2022 and 2023. So in 2024, for us will be very positive in terms of offshore because we will have most of the fleet working throughout the year without the need to enter the five year maintenance. So from there we will get more revenues.

On the other hand, they are all under contract, you know we are still at the beginning of the cycle, so all the rigs, they are working under the contract being signed between the second half of 2022 and the first half of 2023.This is where we stand.

PAOLO CALCAGNINI: Mick, if I can add a comment – We typically don't guide on the single business lines but we can share that you will see some material increase in revenues and margins this year for the reasons that Alessandro just explained and then the profile will be flattish for the remaining years of the plan. So you can expect a material increase of margins and revenues this year and then the fleet will be fully booked and fully sold and then the revenues and the margins will remain flattish for 2025 to 2027.

MICK PICKUP: Yes, clear.

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

MASSIMO BONISOLI: Good morning and congrats for the set of results. Two questions: the first on cash flow. I appreciate your renewed focus on cash flow. According to your guidance, operating cash flow conversion on EBITDA is moving from almost 60% in 2024 to 40% to 50% range over the plan period despite the legacy project affecting 2024. Can you explain the main underlying assumption which results in lower conversion rates, going forward?

And the second is on low carbon project. I appreciate also the stronger focus on low carbon project. What kind of margin should we expect from this source of order ex-offshore wind? So all the CCS, fertilizers, biofuels – are they more like onshore E&C in terms of margins?

ALESSANDRO PULITI: Okay. Low carbon projects, yes, we are offering CCS, we are offering fertilizer, we are offering, as you see, recently even in blue and green hydrogen. So, which are the margins? As I said before, they are not treated differently from the other projects. So they go through the same scrutiny of the offshore and onshore E&C activities. And we will carry out them only if they do present healthy contingency and decent margins because we do not treat them differently and we do not desperate to carry out them if there are no the two conditions that I mentioned before.

We know that most of them are coming from regulated markets. They are depending on incentives made available by governments, by regulators, so certainly, we cannot expect those having same margins of subsea activities offshore, that's definitely not, but certainly we will not do them if there are no enough margins. And certainly, we will never ever accept for those kinds of projects a risk profile that it is higher than what we currently accept. And this was the problem of the offshore wind. I can assure you that the new contract will not include any risk profile like the one was accepted in the old backlog of offshore wind projects.

PAOLO CALCAGNINI: And on the cash conversion, actually, you should look at the cash conversion including the lease payments. Otherwise, the picture is not the best one to be understood. In fact, if you do the free cash flow post the lease payments on EBITDA, the profile doesn't change much in the business plan. So it remains on the same ratios that we had in 2023, or actually a bit better. And so we can go deeper afterwards, after the call, if you like. But you should calculate the free cash flow after lease payments, rather than before. Otherwise, the cash conversion looks a bit bumpy, while it's not.

MASSIMO BONISOLI: Very clear.

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

RICHARD DAWSON: Hi, good morning, and thank you for taking my question. And just one left from me. I'm particularly interested in the offshore wind projects. And just given the historical execution issues in offshore wind, how are these new contracts structured so that risks to Saipem are reduced? Thank you.

ALESSANDRO PULITI: So new contracts for offshore wind, certainly, will have a lower risk profile. And when I mean a lower risk profile for us means we will not accept anymore taking risks such as the weather risk or, unless these risks are very well compensated in another form, weather risk, soil risk. When we're speaking about foundation, those are the main. So the new contracts will be based on mechanism to share those risks with our clients, because there is no way we can sustain those risks. I believe that the supply chain of the offshore wind proved to be very much under stress in the last two years. Why? Because of excessive risk being loaded on the shoulders of the supply chain, so a new balance has to be found. And clients, with which we are speaking nowadays, they well understood the situation.

And this is also now reflected, as you know, on the new expectation in terms of the new contract for difference that are expected to be issued that are, for example, in the UK. It's very well known that most likely there will be around 70% higher in terms of pricing than the previous one. This is really to accommodate the cost that otherwise cannot be sustained by the supply chain. And we are part of that supply chain.

RICHARD DAWSON: That's great. Thanks very much.

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

KEVIN ROGER: Yes, thanks. I just wanted to come back on two elements. The first one is on Mozambique. In a worst case scenario, if the project does not restart this summer because of the terrorist attack that we have seen recently, what would be the impact on your top line guidance? Does it mean that you would be in the low end, and this is why you have provided the range to us? Just to understand the potential impact.

And the second one is coming back on the cash. I just wanted to understand, basically, the guidance that you provide between '24 and '27. Because basically, implicitly, you are telling us that you will generate something like €1.6 billion of free cash post lease. But when you look at the EBITDA that you are implicitly guiding with the 2027 EBITDA margin, basically, you would be at something like €1.7 billion. So even adjusted for the CAPEX, the lease, etc., your free cash just in 2027 will be around €800plus. So just trying to understand why the cash flow generation over the period with the EBITDA and top line that you are implicitly guiding would be limited to €1.4 billion. Does it mean that you have included some important negative working capital movements in the operating cash?

ALESSANDRO PULITI: Okay, on Mozambique, we'll be very quick. If the worse become worse, and for whatever reason the project doesn't restart at all, the impact will be that we will have around €500 million less in terms of revenues. That's the answer.

PAOLO CALCAGNINI: Yeah, so Kevin, yes, the answer is right. There is an assumption underlying the number that working capital will increase over the business plan. You know that we typically work with a negative working capital as a business model. This is very true in onshore, but it's also true in offshore. And so we are assuming that new contracts will have lower down payments compared to the existing backlog. So over the next 4 years, there is some degree of working capital increase. And that explains, I guess, the difference that you just pointed out.

KEVIN ROGER: Okay, very clear. Thanks a lot.

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

DANIEL THOMPSON: Hi, thanks for taking my question. Firstly, in Offshore E&C, I wanted to know how does the mix between surf and shallow water conventional differ in this plan versus the prior plan with regards to the targeted order intake? I think the split before that you presented was just under half on surf. And then the second question, sorry if I missed it earlier, but just on the Courseulles-sur-Mer offshore wind project, has the drilling of the monopile foundation started and is going as expected so far on the first few holes, and when do you expect to complete that contract? Thank you.

ALESSANDRO PULITI: Okay, sorry, now you can hear me. So, split between conventional and surf remains in the range of 50:50 – so just to give you which is the split between our offshore activity between conventional and surf. So, new Wind projects, I'm expecting you are speaking about

Courseulles-sur-Mer. So, we expect by the second half of March to be on location, doing our pre-testing of the equipment, and then right after starts to drill the first socket for the foundation, for the monopile foundation. So, this is the current plan. We are expecting to finish the job by the first quarter/beginning second quarter of next year.

DANIEL THOMPSON: Perfect, thank you.

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

KATE O'SULLIVAN: Hello, thanks for taking my questions, and congratulations on the results. Final quick question from me and following up on your pipelines and opportunities. Qatar is obviously a significant country in your backlog. Could you provide any update on your bidding pipeline there? And in your E&C near-term opportunity slide, we're seeing the uplift in Africa. Just any further color you could provide there? Thank you very much.

ALESSANDRO PULITI: Okay, clearly Qatar remains a very important country for us. We are participating in a number of bids for offshore activities. And we hope that in the coming months we can have some good news coming from there, clearly if we win the bidding. The other question?

KATE O'SULLIVAN: Just around Africa?

ALESSANDRO PULITI: Okay there was Africa. Okay, yes, we are participating to all the bidding activity around West Africa and possibly even East Africa. And we are expecting growing activity in the countries that were mentioned before in the beginning of the conference: Angola, Namibia are places where we see coming projects and we have a very good visibility in West Africa in the short-term.

KATE O'SULLIVAN: Okay, thank you.

OPERATOR: We need to wrap up this call as we have gone past 12:00. So thank you. So management, do you have any closing remarks?

ALESSANDRO PULITI: No, we don't have any closing remarks and we thank all whom participated to the conference call. Thank you.