

# **Saipem S.p.A.**

## **"Half Year 2022 Results Conference Call"**

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MODERATORS: FRANCESCO CAIO, CHIEF EXECUTIVE OFFICER  
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OPERATOR:

Good morning. This is the conference operator. Welcome and thank you for joining the Saipem First Half 2022 Results Conference Call. 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. Francesco Caio, CEO. Please go ahead sir.

FRANCESCO CAIO:

.Thank you very much. Good morning, and welcome to Saipem first half 2022 results presentation. I'm pleased to have with me Alessandro Puliti, our Chief Operating Officer; and Paolo Calcagnini, Chief Financial Officer, who in a moment will take you through the details of our operations, our progress on operations and on the numbers.

But let me start with a summary of the results and achievements we're communicating today. We are pleased to report a quarter of robust growth in revenues and margins. In the second quarter, as you can see from the slide, we have had revenues for €2.5 billion, delivering a quarter-on-quarter growth of 28%, and EBITDA of €176 million, which is about 21% higher than in Q1.

Now whilst delivering on existing projects, we've also continued to build the base for future growth. And as you can see, the order intake was €3.5 billion that gave us a book-to-bill at 1.4. In terms of balance sheet, end of June net debt closed at €1.7 billion. This is, of course, the number on June 30th. As you know, we've completed a capital increase in mid-July, but it was a number that is in line with our expectations, as Paolo will tell you in a moment.

Now, for clarity, all of these numbers, for the sake of comparison, including...are including of drilling onshore. You may remember we've announced back in May the signing of an SPA with KCA Deutag. And, therefore, as of this quarter, the business is reporting according to IFRS 5 as discontinued operations. But as I said, for clarity, transparency of comparison, these numbers are inclusive of that business. So, in summary, this was another quarter of profitable growth. And I must say, the results are grounded in an operating machine that is now really motoring on all cylinders.

And if we move to the next slide, that can be seen in 2 metrics. If we look more closely to these 2 numbers, €2.5 billion represent 30%, almost 30% growth rate quarter-on-quarter. But actually, if we compare it to Q2 last year, the growth rate jumps to 55%.

And that, in our view, suggests that the volume of activity in project execution and consequently billing is coming back to pre-COVID levels, notwithstanding the orderly exit from Russia and still some issues in the international logistics, and what we can call the post-COVID, even if COVID is still unfortunately with us. And most importantly, this is common across all of our business areas.

And the second element I'd like to draw your attention on is if we open, if you wish, the total order intake is drilling offshore. Now backlog of drilling offshore is around €900 million, a figure that's almost doubled year-on-year, reaching the highest level since 2018. Now, as you may remember, since the end of last year, we've been looking at drilling offshore as a good proxy of the new oil and gas investment cycle.

Sandro will tell you that we continue to see momentum in this business, providing a further indication that we are indeed in a strong favorable

market environment that has all the elements of what industry is calling the super cycle.

If we move to next one, the other element I'd like to highlight is that, in this context, we've been able to steer our order intake towards the businesses and products that we have identified as central to the strategic priorities we have set out in the plan. Now, the numbers here refer to first half. The pie chart on the left is total order intake.

And as you can see, more than...almost 55%, 54% of that is in offshore activities, E&C and drilling, which historically have been contributing the highest, the higher margin in...among Saipem segments. And if we then focus just on E&C order intake, which is the pie chart to the right, we see that 65% of that is represented by gas monetization, once again an indication that the commercial initiatives and the commercial drive is being actively driven in the direction of segments where we think we can have, not just something to say, but the technology platform to enable us to produce better margins. So, it means that we are building a platform for profitable, sustainable growth.

And all that translates into a first half of profitable growth whose key numbers are now summarized in Slide #5 for who among those are following our webcast. Revenues of €4.4 billion with a growth of almost 40% versus the half 1, 2021, and an EBITDA that swung back to profit of €321 million versus a loss of €266 million last year, with as we said total order intake of €5.8 billion, which gave us a book-to-bill of 1.3, which we consider a good indication of times ahead.

So, all-in-all, before handing to Paolo that will take you as I was saying through the details, just a quick recap. Second quarter and the first half with profitable growth, driven by strong industrial and commercial

performance. The machine is humming and is recovering very nicely. And those numbers clearly enhance confidence and visibility on the targets for '22 and for the plan.

Let me close this short introduction by emphasizing that in parallel to the running of operations, we've made very good progress on the initiatives that are central for the execution of our strategy, from the refocus of our commercial effort, to the reduction in our cost base, to the active management of our portfolio in this area.

As you have read or might have read from our announcement, Saipem has continued to work on cash generation initiatives that we have set out in our plan, namely the agreement of KCA Deutag for the drilling onshore that will generate \$550 million in cash at closing and the more recent disposal of Cidade de Vitoria FPSO that will give us \$73 million to our cash. Obviously, last but not least, in July, we completed our capital increase that has given Saipem the financial resources to continue along this growth, this profitable growth plan...path that we have set out in our plan.

And with that, I would hand over to Paolo that will take you through the financials and then Sandro then will illustrate the tremendous work that with this team is delivering in active...in making our plan actual cash for shareholders. Paolo, to you.

PAOLO CALCAGNINI: Thank you, Francesco, and thanks, everyone, for joining the call today. So, before we jump into the numbers, and I'm referring to Page 9, for those of you following the webcast. Just a quick methodological premise. As you know, we signed a binding agreement for the sale of the drilling onshore business whose closing is expected in October this year.

So, according to the accounting principles and to allow you a visibility on Saipem number, gross and net of the drilling onshore, the numbers are shown according to the 2 possible views, so with or without the drilling. In the charts, the numbers you see in orange, if they are in orange, let's say kind of wheat color, but it's kind of orangish, let's say, those are the drilling onshore contribution to the total.

So, this said, the chart shows the 2022 first half results vis-a-vis the same period of 2021, where Group revenues increased by 39% year-on-year, driven mostly by offshore E&C and drilling activities, which we will come to the visit [ph] the numbers later in the presentation. As Francesco recalled earlier, the Q2 revenues grew 28% versus the first quarter, which is a tangible sign of the recovery in...across all group activities.

The adjusted EBITDA is...in the first half was €321 million, this is a 7.2% EBITDA margin over revenues. It's €600 million higher year-on-year, with the second quarter that accounted for €176 million versus €145 million for the first quarter, which is a 14% roughly increase over the first quarter.

Now let me make a couple of additional comments on these figures. #1, the EBITDA improved across all business lines. We will see the numbers in detail later, but it's an important sign that across all businesses the margins are improving. And second, let's remember that the backlog review left a sizable part of the portfolio with no positive contribution.

So, the project that had been reviewed in the backlog review has a key factor equal to one, so meaning that they may contribute to the revenues, but they'll not contribute to the margins. And it's a factor that should be kept in mind when reading the margins over time. And finally, the net result that was negative for €108 million, but let's remember that €98

million was the loss reported in the first quarter. So, if you compare the numbers quarter-on-quarter, actually second quarter have reported a very limited loss vis-a-vis the first one.

Now, moving to Page 10, we go through the business lines and we'll start from the E&C offshore, which is shown in the left side of the chart. The offshore activities, E&C posted a revenue of €2.1 billion, this is doubling year-on-year, and it's driven by the ramp-up of all the projects already in the backlog end of last year. So, they accounted for roughly 90% of the revenues that we recorded in the first half.

So, those were the projects acquired last year whose execution is moving ahead smoothly. And then offshore activities enjoyed recoveries across all regions, mostly, Middle East and Sub-Saharan Africa, but also in the Americas performed well compared to the previous year. The adjusted EBITDA for the E&C offshore was positive for €166 million with an adjusted EBITDA of 8%, which is an increase of €435 million versus the first half of 2021 with the second quarter improving substantially versus the first one. To give you a number, the EBITDA for the E&C offshore grew from €65 million to €101 million over the last 3 months, which is a 55% increase quarter-on-quarter.

Couple of comments...additional comments on EBITDA. So, the first half of the year...of the previous year was negatively impacted by some execution issues in wind projects and some bottlenecks in Far East that were related to the COVID situation. And those effects disappeared this year and they are hopefully behind our shoulders, and that explains part of the better results in the first half of 2022.

Second element is that in 2022, we had to take in account the effects of the Saipem 7000 accident. They deem Saipem 7000 was idle for 6 weeks

after the accident. Now, it's full operational in...on the Seagreen campaign. And so, it's not impacting the operational activities anymore. Still, we had one of our most important vessels that suffered A 6 weeks stop in the first half.

E&C onshore. Now, the revenues are in line year-on-year, but we need a few words of explanation because these numbers come from a mix of negative and positive elements. On the negative side, you remember that...you may remember that starting from April 2021, the activities in Mozambique have been suspended. Mozambique accounted last year for a significant part of the first half revenues, while the contribution this year has been very limited, obviously.

On the other hand, so notwithstanding the negative impact of Mozambique, most of the remaining projects in Asia Pacific, in Americas and the Middle East posted consistently a growth in revenue and client building, so compensating almost the entire impact of Mozambique and other few projects that came to a stop for reasons outside Saipem control.

Moving to the EBITDA, the EBITDA was slightly positive by €11 million with an improvement of...versus the €70 million loss in 2021. Now, again, the E&C onshore, it's a business where the tail impact of the backlog review accounts the most. So, with a few projects that are not contributing to the EBITDA margins, even though they are contributing to the revenues, so the number should be read keeping in mind that it's...when it comes to EBITDA, it's a mix of these 2 factors.

And so, in this context, so we look at the first half figures as overall encouraging and especially when compared to a year ago. We are obviously aware that there is clearly a lot of wood to chop and that 2022 remain a challenging year for the activities on land.



Moving to Page 11 to the drilling activities. So, offshore drilling increased 73% year-on-year in terms of revenues and the EBITDA reached €289 million, so almost 2 times the one year ago and it increased from...increasing from €45 million to €86 million with a margin slightly lower than 30%. So, this...the performance improvement comes from 3 factors.

The first factor is the improved fleet utilizations, all vessels are booked for this year, and 75% of the billable time is already booked for 2023, so for the next year, which gives quite a good visibility on the future results. Second is the increasing rates that we are seeing on the market for drilling vessels. And third, it's the beginning of the activities of the new Santorini drillship in the Gulf of Mexico that began in February 2022. So, it was not in the 2021 numbers, but it accounts for a part of the 2022 results. I won't comment on the drilling onshore results. The numbers are shown in the slide, there is nothing...there is not much to comment. And the...as you know, the business unit will be sold in October this year.

Now, moving to the P&L, so I am referring to Page 12. This slide is a bit crowded, but I want to draw your attention on a few aspects. First, the difference between reported figures and adjusted figures is only €12 million in terms of net result and €19 million in terms of EBITDA. These numbers compare to €120 million in 2021. That's a sign that the situation is progressively going back to normal and that COVID effects may eventually become negligible on our operations going forward. And let's keep the fingers crossed because that's a factor that is outside of our control, but so far the impact we experienced in the first half is very limited compared to the previous 12 months.

Second, the net result for the second quarter was negative for €23 million, which compares to €98 million in the first quarter. So, in the chart, you see the total for the first half, which is €108, but if you deep dive...if you dive deeper in the numbers, the second half was actually very encouraging compared to the first one.

Now, going below the EBITDA and just to comment some P&L items, the D&A increased by €27 million. The reason being that in 2021 we had certain vessels, both in drilling and E&C, that were not working for extraordinary maintenance. And when this happens, the depreciation is suspended. So, this year, all vessels are working and you see a depreciation number, which is higher than the previous one. Financial expenses were €59 million, so it's...this is €5 million more than last year. It's a mix of 2 different factors. \$1, the...we had to take into account the cost of the financing package for the bridge facilities that brought the company to the capital increase and that's obviously an increase in financial expenses.

On the other hand, we enjoyed some positive effects on our hedging activities and currency exposures, given the depreciation of the euro vis-a-vis most of the other currencies, including first the US dollars. The results from equity investments improved in second quarter by €90 million. The number for the first quarter was minus €43 million, so leading to a negative of €24 million, which is an improvement of €90 million.

Tax, the income taxes are the best estimate for the entire year, which is then accounted for in pro rata temporis on the first half results. The reason why it increases is also because as the activity gains momentum in some countries, we are subject to withholding taxes that you pay on revenues. So, by the time you bill clients, you pay the withholding taxes,

which may, in some cases, hopefully be recovered later when the full P&L results are produced.

Just a couple of slides more before I hand over to Sandro. Page 13, and this is a bridge of the net debt evolution over the past 6 months. The net debt including IFRS was 7 point...€1.7 billion, sorry, pre...prior to the capital increase or €1.4 billion net of the IFRS 16 effects.

So, let's have a look at the cash flow evolution, which is highlighted in light blue...in the light blue areas of the chart. The net cash flow from operations before working capital and CAPEX was positive around €160 million, driven by the positive operational results in the first half, while the working capital was negative for €600 million.

Now, there are 3 elements that explain the number. The first one is the backlog review. The backlog review was accounted for in 2021, but the cash out was foreseen in this year and then the €200 million part of it, so roughly €200 million is a cash out that we had in the first half. The second effect is the working capital and other non-monetary items. Now, the business is growing and, obviously, as the business grows, there is some working capital absorption and that accounted for €200 million over the €600 million.

And last but not least, the remaining €200 million is a cash reversal of advance payments from clients. So, the reason why this is happening and was obviously was is in line with the business plan projections is because as we are taking more work on the onshore activity, which doesn't enjoy the same level of advance payments and we move on in delivering on the onshore backlog, the net effect is negative because the onshore business typically enjoys advance payments while the offshore doesn't.

Final, the CAPEX in the first 6 months were €112 million, and this is because in terms of schedule of the maintenance of our vessels they are mostly concentrated in the second half. So, the total number, which is around €400 million for the 12 months splits in not equal parts, so it's been a bit lower in the first half and it's going to be a bit higher in the second part.

Now moving to Page 14, we try to help you read the numbers because we understand that in terms of financial position, there have been quite a few moving parts and moving elements, including the month of July. So, the left side of this chart shows the first half numbers and a pro forma...and pro forma taking into account the effects of the capital increase, which are the...obviously the cash in from the capital increase, but also the repayment of the bridge facilities.

So, the gross debt was €3.7 billion end of June. But if you pro forma the numbers for the capital increase, the gross debt reduces by almost €900 million to €2.9 billion. And when it comes to the liquidity position of the company, it was €2.3 billion at the end of June, while after the completion of the rights issue, pro forma goes up to €2.9 billion, which is again €600 million higher than the accounting numbers for the end of June.

And then the right side of the slide shows the maturities of our bond and banking facilities, while the bottom part shows the liquidity as of June, again, with the accounting figures and pro forma to keep into account the cash inflow, the net cash inflow from the capital increase. So, I guess, the numbers we should keep in mind are net financial position pre-pro forma pre-IFRS 16, which is roughly zero, it was actually positive for €90 million. And after IFRS 16, it's negative for €220 million. So, that's the net...pro forma net debt.

Page 15, this is the last slide I will comment before I leave the stage to Sandro. We basically give you a projection of the net financial position by year-end. So, from the €1.7 billion end of June, we need to deduct the €1.5 billion of the capital increase. And then we had to add the expected free cash flow for the second half. So, a few words on the expected free cash flow.

So, the free cash flows from operational activities are positive for second half, you can say that, and they are neutral keeping into account the swing in the working capital. However, there is still...there is going to be still €300 million that are the second, let's say, installment of the backlog review cost. So, those are cash outs that are related to the backlog review and to the extra costs that were accounted for in 2021 report whose cash out is foreseen in the second half, and then you have the remaining CAPEX that I commented before.

So, that gives an expected net debt before the disposal of the drilling onshore around €0.8 billion, that goes down to €0.3 billion keeping into account the proceeds from the billing onshore which...it's going to be €0.5 billion in October and then the remaining €50 million plus the stake in KCA that will come...well, the remaining €50 million will come in 2023 and then the stake in the KCA participation.

And so €0.3 billion including IFRS 16 is roughly zero or slightly positive, including...excluding IFRS components, so in terms of financial debt, net debt. So, all-in-all, these numbers confirm the targets that we gave you in the business plan, including the drilling onshore. Obviously, they don't include any other extraordinary managerial actions to improve the cash position and the valorization of our assets that we are working on.

Now, I will hand over to Sandro that will go through the business plan execution in the remaining part of the presentation. Thanks, Sandro.

ALESSANDRO PULITI: Thank you, Paolo. And now, we'll go through the execution of the strategic plan that is progressing faster smoothly and in line with the expectation.

Starting from the commercial refocusing, order intake is concentrated in the offshore, both in the engineering and construction and drilling businesses that are historically the higher margin segments. Drilling offshore fleet is fully engaged for the current year and has an engagement rate of 74% for the next year with daily rates that are on the rise and several new contracts are under negotiations already.

We activated cost efficiency actions worth a run rate of €120 million of cost savings in line with the cost reduction plan that was foreseen, €150 million cost savings at the end of the year. We came out from 2 projects in Russia in compliance with the regulation and reducing risk. The Moscow Refinery and the drilling operation of jackup Perro Negro 8 that is now working in a different area.

On the energy transition, in May, Shell and Petrobras awarded Saipem a contract for the utilization of flat fleet...FlatFish subsea drone for inspection activities at 2 ultra-deepwater field's offshore Brazil, a green shoot for future subsea robotics developments. On the offshore wind, we are progressing along our dual strategy. We are delivering on existing backlog. The Saint-Brieuc transportation and installation has been completed and all jackets of Formosa 2 have been delivered to client. Saipem 7000 restarted operation and is now executing Seagreen.

On the asset valorization and cash actions, we signed agreement with KCA Deutag for the sale of drilling onshore business for a total consideration of \$550 million cash, plus a 10% equity stake in the new KCA Deutag after the acquisition. And finally, we signed an agreement with BW Energy for the sale of the FPSO Cidade de Vitoria in Brazil for \$73 million. With these actions, we have already reached around 50% of the value planned cash actions already announced in the strategic plan.

In terms of order intake, the first semester has been considerable and it has been a result of our refocusing of commercial activity. Further, it is concentrated in high margin offshore segments. In E&C offshore, we have been awarded the Yellowtail SURF in Guyana, a key country for subsea developments, and the Scarborough sealine in Australia, leveraging our strong track record in very large, very long trunk lines and utilizing the pipelayer Castorone. Moreover, we won 4 new contracts in Middle East consolidating our primary role in Saudi.

Drilling offshore backlog doubled year-on-year, thanks to an order intake of €0.8 billion in the semester. The drilling fleet is fully engaged for the year and it has 74% engagement for 2023, which daily rates that are on the rise and they leave us confident of our plan. And moreover, expectation of full engagement also for 2023 are fueled by several new contracts that are currently in the final negotiation stage with the clients.

Coming to the E&C onshore, we are delivering the projects in the backlog on schedule. In the slide, you can see a list of milestones and deliveries that we have reached during the second quarter on a number of projects across different segments and geographies. In the E&C onshore, our commercial approach is more focused on selectivity.

In May, Saipem in a joint venture with Clough has been selected as the exclusive EPC contractor for the development of the Perdaman Urea Plant in West Australia. The contract value is \$1.35 billion in Saipem share with further risk and reward provision to provide flexibility to manage any potential further deterioration in market conditions.

In Brazil, we have been awarded a contract for the engineering services for the Gato do Mato FPSO, which is preliminary to client's possible final investment decision to develop the EPCI project. Both contracts have in common an early engagement and risk sharing transparent approach, both before the definition of the EPC contract price and after, which can reduce the risk of both client and contractor in the current inflationary supply chain market environment.

Finally, in Saudi Arabia, we signed an agreement with Aramco and NSH Corporation for the establishment of an EPC National Champion that will be performing the full range of onshore EPC project activities. The establishment of this entity is expected by the end of this year and will combine the strength of the 2 companies. This proposition will reinforce our positioning in the country and reinforce ties with the client, further reducing risk.

Looking at the backlog, IFRS backlog at the end of June was €23 billion. As you know, we have de-risked our order portfolio performing an extensive in-depth and externally validated review of the E&C backlog that covered 22 projects representing around 88% of the backlog of the E&C segments.

The backlog, including non-consolidated projects, amounts to €24.6 billion, of which, more than three-quarters of the E&C part is not oil related, 69% is gas, renewable and green energies are 4%, mostly wind



farms, while infrastructure and non...and other non-oil are 4%. The backlog is solid and well diversified across segments and geographies.

Now, I focus on offshore wind, where we are progressing along our dual strategy in this segment. First of all, we are delivering on the existing projects in backlog. The Saint-Brieuc T&I has been accomplished and all jackets for Formosa 2 have been completed and delivered to client. Saipem 7000 restarted operation and is now executing Seagreen, installing the foundation for wind turbines offshore Scotland. The other large offshore wind EPCI projects are progressing on track according to the revised schedules agreed with main clients and defined in the backlog review.

Regarding our full strategy, we have made a couple of steps add, including agreements with companies in Italy and in Norway. In Italy, with Trevi on the development of drilling systems for large diameter flotation holes. And in Norway with Havfram to widen our value proposition and identify new and more profitable ways of executing EPCI wind projects.

The final slide is on asset valorization and cash actions. In just 4 months from the announcement of the updated strategic plan, approximately 50% of the asset valorization and asset cash actions have been already delivered. In fact, in early June, we finalized the agreement with KCA Deutag for the sale of drilling onshore business for the total consideration of \$550 million cash plus 10% equity stake in the new KCA Deutag.

Closing the transaction is expected by end of October this year for Middle East and by the end of March 2023 for Americas. I want to remind you that this action was not factored in the strategic plan targets. Further, at the end of June, we agreed with BW Energy the sale of the FPSO Cidade de Vitoria in Brazil for \$73 million.

So, this slide concludes my section. And now, I'd hand over to Francesco for some closing remarks.

FRANCESCO CAIO: Thanks very much, Sandro, and thank you for your very thorough explanation, Paolo, as well. So, before handing over to you for Q&A, let me recap what we got to. We've completed the capital increase on July 15th, that was well before year-end less than 4 months from the announcement and that has clearly strengthened our balance sheet.

We have now delivered the second quarter of industrial and commercial very robust performance that gave us an acceleration and growth in both revenues and EBITDA and order intake vis-a-vis not only Q1, but also H1 2021. And these set of facts and numbers actually provide us the best possible validation of our organizational and strategical choices over the last few months and clearly indicate very positive feedback and encouraging feedback from clients that we, as you can imagine, value very, very much.

We are also delivering at a fast pace our strategic goals and benefiting obviously from a context in...of oil and gas market that we refer to as...not just us, the market, the industry refer to as a super cycle. And lastly, as Sandro just mentioned to you, illustrated to you, we've announced important cash quick actions that are accelerating the deleveraging. So, these facts and figures and numbers and results position us well on track to achieve the objective for the year and for the strategic plan that we set 4 months ago.

And with that, I ask again for your attention and I would ask the operator to begin to handle Q&A. Thank you.

## Q&A

OPERATOR: Excuse me, this is the Chorus Call operator. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "\*" and "1" on their 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 Mark Wilson of Jefferies. Please go ahead.

MARK WILSON: Hi. Good morning, gentlemen, and congratulations on what appears a much more in line operational outlook and performance. My questions is, on Slide 20, in the backlog review. Still over half of your backlog is in E&C onshore. Could you let us know, within that backlog, what are the largest projects currently in that E&C onshore? And then if they're not, what...how much amount is related to Mozambique and also Nigeria Train 7 and expectations there? And then just remind us what is in the non-consolidated backlog, which projects make up that €1.6 billion? Thank you.

FRANCESCO CAIO: Thank you very much. Sandro has all the information.

ALESSANDRO PULITI: Okay. So, the major projects as you were mentioning in our E&C backlog are mainly located in Mozambique, Saudi Arabia definitely. And in...and the Bonny LNG is certainly another very important contributors. If you want to comment on those one, I would like just to say that in Saudi Arabia in all our E&C projects, we are progressing well.

On the Hawiyah project, we just achieved on June 30th our readiness for first gas in the first train. And this is one of our major achievements in

terms of delivery of the project. And I believe that also what is worth to mention and we...n those projects, we are participating to a relief package plan that was being...that has been delivered by our client to cover for most of the extra expenses we incurred for the COVID season in 2020 and early 2021 prior restarting those activity that have been suspended. And this is very clearly important financial relief for those activities.

Regarding Mozambique, we still in...the project is still suspended. Our current costs are covered in a fully reimbursable scheme from the client and we do not expect any restart of operation within 2022. That are, I believe, the main regarding those projects.

MARK WILSON: Thank you very much. As a follow-up to that, one of the characteristics of Saipem is obviously is very high backlog, a lot of which was won before COVID. And what...are there any possibilities of even rebidding some of these larger legacy projects, even Mozambique? Thank you.

FRANCESCO CAIO: So, clearly, many things as you were mentioning has happened between the period 2018 and 2019 when many of those projects were acquired and basically we are in a completely different world today, first of all, because of the COVID, and second, because of the inflation of the raw materials that we have been experiencing starting at the end of 2021, even before the beginning of the Ukrainian crisis. And what we see is that most of the clients after an initial period are now clearly willing to accommodate those costs that are documented. And one of the clear examples was the one that I was mentioning before, the relief package in Saudi Arabia. Clearly, restart when, there will be a restart of operation in Mozambique, those have to be necessary on different terms and conditions because what was agreed back and the beginning of the project is clearly no longer sustainable. So, the full restart of the project will be definitely on different basis, a renegotiated basis with the client.

MARK WILSON: That's very clear. I'll turn it over. Thank you.

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

MASSIMO BONISOLI: Yes, good morning. Just 2 questions from me. If you can provide some update on the funding, if you can remember us what are the next steps with the banks for the new funding facilities? And the second question, if you can shed some light on the positive result from the equity income from associates that was in second quarter versus a negative result in the first quarter?

FRANCESCO CAIO: Paolo, will you pick that up?

PAOLO CALCAGNINI: Sure. So, thanks for the questions on funding. You may remember that the remaining piece of the financial package was the...indeed the RCF. According to the plan we had, we are negotiating...we agreed with the banks to negotiate the RCF after the capital increase. So, this is what we are doing as we speak and we expect to close the RCF in September.

And that would basically bring the financial package delivery to a final conclusion. Then we also shared [ph] a maximum amount of roughly €1 billion in previous occasions. When we should...when we came up with the number, the drilling onshore disposal was not signed and was not binding for both parties. So, we may reconsider the amount of the RCF bringing the RCF to a slightly lower number because we can rely on the €500 million of liquidity, which is coming in from the drilling onshore in October. And that's the first comment...the first question.

The second question was...just remember me on...

MASSIMO BONISOLI: On the equity results from associates...

PAOLO CALCAGNINI: Yes. That's actually a mix of quite a few different things. So, those are participations that are accounted for with the equity method. So, we...basically, that's the...our share of the valuation of the equity value of the participations and it's a mix of 7 or 8 different items. There was one participation where we accounted a loss with the equity method in first quarter, that recovered in the second quarter, therefore, reducing the loss in the first...in the second quarter. That's the explanation of the difference. Plus, there is another JV where the equity valuation brought a positive contribution in the second quarter because of the result of the JV. And that explains why the second half has a positive number for €90 million compared to the €43 million negative in March 2022.

MASSIMO BONISOLI: Clear, okay. Thank you.

PAOLO CALCAGNINI: And we...sorry, and we don't expect major changes in the second half, so we don't expect material numbers for the remaining 6 months.

MASSIMO BONISOLI; Many thanks.

PAOLO CALCAGNINI: Thank you.

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

NIKHIL GUPTA: Hi. I had 2 questions, please. One is on the asset valorization plan. So, could you give us some colors on what are the remaining assets or kind of assets that you plan to sell? And second is, it's good to see a higher order intake number, but can you please comment on the cash profile of the new contracts? Have...has it been becoming more positive or working capital positive or how does the cash profile look like? Thank you.

FRANCESCO CAIO: Okay. So, on the asset valorization plan, as we made clear during the presentation, we achieved already more than 50% of our target, that is €1.5 billion for asset valorization program. And this was supposed to be along the full year plan, but this was achieved along the first 4 months of the full year plan. So, the speed at which we are bringing this activity is really very fast. What's next?

Clearly, what we are thinking, and this cannot, as you can easily imagine, cannot be disclosed immediately because we are under negotiation, but mainly with the valorization of the...of our current assets through dedicated vehicle that they can become non-consolidated and where our share would be no longer 100% and that will be reduced. And accordingly, there will be a cash income.

So, this will be the scheme under which we will valorize our fleet and our assets without basically losing control, without losing our operational control, but reducing our share of ownerships of those assets. So, the remaining part of the plan will be subject to this kind of operation. And as you can imagine, just to give you an example, all the deep-water offshore fleet is getting every single day an higher value considering the market in which those ships are nowadays operating. So, that's the way forward.

Regarding working capital for new projects, for new E&C projects, this is part of our strategy of new acquisition, where we want to be far more selective on margins on the projects that we are acquiring. So, the strategy is value over volume, and this include also working capital. So, we are very careful that the new projects are acquired with the proper amount of cash advancement by the client that allow us to be cash positive throughout the entire execution period of the project.

NIKHIL GUPTA: Thank you. Thanks very much.

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

ANALYST: Yes. Good morning, everyone. Two questions, please. The first one is a clarification, actually. Could you please give us some details on the orders cancellations, I mean, you mentioned during the presentation? And the second one is on the new order that you acquired in the gas sector. I'm interested in more details in terms of geography and specifically if this geography will relate to the...to a proximity to Europe and Italy, just to understand if this gas project could also involve some countermeasures on the Russian gas crisis for Europe and Italy as well. Thank you very much.

FRANCESCO CAIO: The order does not cover the specific issue of energy crisis in Italy, but we are very pleased to have taken it, nevertheless. And Sandro will give you the specifics of the important order we won. I'm not quite sure I understood your...the first part of the question in terms of order cancellation, is that right?

ALESSANDRO PULITI: Okay. [Multiple speakers]. Regarding...okay. Regarding order cancellation, the main movement that we had are really linked to the...at the end of the first quarter, basically, we had an order cancellation that was relevant to the Perdaman, to the first Perdaman. And that was then re-entered in the backlog in the second quarter after the completion of the negotiation with the...and the successful completion of the negotiation with the client.

So, this is...there was reported as a minus in the first quarter, but re-entered in the second quarter as a plus. Then clearly, we had to...since we closed the project in Russia, the Moscow Refinery, we removed €180



million around of order related to that project in Russia, it was terminated within the framework of the sanctions mid...in mid-May this year.

Regarding the activity on gas, clearly, we are very active in the sectors, both...I would say, all over the world, there is not a specific geography. And as you appreciated, for example, in Thailand, we just delivered the first gas in the Nong Fab regasification plant that we built there, that is their gasification plant with greater LNG tanks ever built. So, definitely, we are extremely active.

We are participating to all possible gas initiatives that are arising in these days, even in Italy's, where merchant clients [indiscernible] competition for activities. And definitely, whenever there is gas, we are ready. And we're specifically ready for everything regarding the LNG, both traditional liquefaction plant, but also fast track LNG plant on floating units that can be quickly delivered in different geographies according to clients' need. So, definitely, the answer is yes.

ANALYST: Thank you very much.

PAOLO CALCAGNINI: Alessandro, if I may add just a few elements. Roberto, the order cancellation, so the net order intake, if you deduct order cancellation, would have been roughly €5 billion vis-a-vis the number that you saw on the charts. And it comes from 2 projects. The one is the Perdaman, the other is Moscow Refinery that was terminated in the first...in the second quarter, so it's not in the backlog anymore. And if I remember correctly, it accounted for roughly €200 million.

And then given your question on Italy or Europe, stay tuned because there might be the signing of a project on...in Italy or, let's say, in the Mediterranean Sea.

FRANCESCO CAIO: And let me add to this point that clearly the geopolitical context is something that nobody is particularly happy about from a business perspective, it's something that as you've seen is driving new interest and demand in more mature markets compared to the...our traditional markets for energy infrastructure, particularly gas, where we have as Sandro was saying a second ago, a very strong track record and expertise. So, for the numbers you've seen with the quarters, there is still the majority of orders coming from abroad. But as Paolo just said, we look at Europe mature markets, including Italy as a horizon of opportunity and growth as decisions are taken in making energy infrastructure more robust and more resilient.

ANALYST: Very good. Many thanks.

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

JAMES THOMPSON: Great. Good morning, gentlemen. Thanks very much for the presentation so far. I just wanted to ask in terms of the 2022 to '25 strategic plan that obviously you laid out earlier this year, the...there is obviously a big difference in terms of the kind of free cash flow profile for the business based on the kind of base case versus the asset sale processes that you're going through. Just in terms of you being halfway through that process at this point of time, I just wondered, Francesco, whether the actions taken so far mean that you are going to see that sort of very significant free cash flow uplift more into 2024 rather than 2025 or is that really going to come through some of the contract negotiations that are ongoing?

FRANCESCO CAIO: Thank you very much. I would ask Paolo to give me some comfort, but broadly speaking as Sandro was saying a moment ago, what you've seen

and what we're reporting is clearly a very quick start of the implementation of the plan, partially because the drilling onshore idea on active portfolio management was with us already at the beginning...at the end of last year. So, that enables to execute quickly. We are today not moving around targets, guidance or views on the way forward.

Clearly, we're seeing the numbers that you see and we're comforted by the strength in demand and our ability to deliver. So, I'm just saying that watch the space in terms of perhaps increased flexibility going forward, but at the moment, I wouldn't feel comfortable in telling you that what we've announced in terms of targets and market projections 4 months ago has moved or is changing. Comfortable on the projections, pleased to see the traction of the machine, but still very, very careful in making sure we first deliver and then we announce. Paolo?

PAOLO CALCAGNINI: Yes, agree, agree. Just one comment on the...on free cash flows. Now...so let's split the topic in 2. So, we are doing a lot of things that may...that will improve the cash position and deleveraging of the company. Those are the actions...those are the, let's say, low-hanging fruits and we are getting the most out of the things we can do in the short-term.

On the other hand, working on the structure...a structural change in the way working capital is managed requires obviously time, and we are doing it, but the benefits will be...will appear in the net cash flows starting from next year. So, we can confirm the targets for 2022. And for the remaining part of the business plan, obviously, we are working to do possibly better than that, especially when it comes to cash flows.

JAMES THOMPSON: Okay. That's good. Maybe I could just follow-up in terms of some of the confidence on the line there. And obviously we've seen a lot of macro

volatility in the first half, whether it's kind of Russia-Ukraine or some of the recessionary discussions that are out there. I just wondered, if you could maybe give us a bit more flavor in terms of kind of customer discussions, confidence on order intake in the second half? I mean, particularly offshore drilling has been very good, where are you in terms of pushing the envelope on pricing for 2023 kind of remaining capacity in 2024? So, some discussion on pricing and just general kind of market backdrop will be really helpful. Thank you.

FRANCESCO CAIO: Thank you. I think Sandro can give you a much more detailed view, but the overall message is that in discussions with customers and big clients, we sense...continue to sense a sense of urgency and interest on the fast track delivery of our projects and infrastructure that for us means that the demand is pretty robust out there, notwithstanding the turmoil you were referring to. But Sandro has had very recent meetings with very important clients.

ALESSANDRO PULITI: Okay. Clearly, the current price of the commodities is driving the market, the offshore mainly, I would say, market both in drilling and engineering and construction in a very strong manner. I would say, clearly, the first signs is always drilling getting the first hit, positive or negative, by the way, and in this case it's extremely positive. And I believe that the most interesting sign is that clients are now asking for long-term contracts for drilling rigs. We were no longer used to see clients asking us for 3 years or even 4 years plus options type of contracts, while this is becoming common nowadays. So, this means that our main clients, the major oil and gas companies are believing in a long-term cycle and this is driven, not just by exploratory activity, but it is driven by development activity to put in production of reserves that have been already discovered.

So, this also in turn is driving the E&C offshore market because then what we see is that we already...we said very clearly in the presentation that our drilling fleet is fully booked, but I would say that our offshore construction fleet is fully booked as well, and now to find pipe layer or to find a vessel able to install jumpers in deep-water activities, Christmas trees and so on, and all what is needed for subsea production equipment is very difficult. And the market will be tighter and tighter because some of those vessels, they were clearly utilized for fleet development and pipe laying and one of those is very clear is our Saipem 7000 now are no longer utilized for the oil and gas, but are...they are utilized for offshore wind.

So, there is even in a growing market, there is less capacity than we were used to have 3, 4years ago. So, utilization will be at full definitely in the next year. And coming...how this is turning in terms of order intake, we do expect very good order intake in West Africa, Ivory Coast, Angola, but also on the other side of the Atlantic is very...the market is very active, Guyana, definitely, and also Brazil, definitely. So, those are the areas where we see the most important order intake for this kind of activities, both drilling and E&C offshore.

JAMES THOMPSON: Excellent. Thank you very much for the color. I'll now hand over.

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

MARK WILSON: Yes. Thank you for taking my follow-up question. I'd just like to confirm both, the capital raise, it's roughly 30% of your shares that are held by the banks. I'd like to confirm that. And then, is there any coordinated action to resolve that holding that you could speak to? Thank you.

FRANCESCO CAIO: Paolo?

PAOLO CALCAGNINI: Yes. The take out from the banks was around 29%, so the number you have in mind is correct. Obviously, we don't know what's going on nowadays. I mean, it's their business, not our business, how and when they are possibly selling shares. What we know from official source is that a part of the banks in the consortium decided to sign an agreement for an orderly disposal of the participation accounting for 70% of their stake and this is all we know, there is no obviously coordinating actions with the companies that would be impossible.

MARK WILSON: Okay. Now, thank you for that color, and thank you for your answers today.

PAOLO CALCAGNINI: Thanks.

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

HARIS PAPADOPOULOS:Hi. Thanks a lot for taking my questions. Could you perhaps provide us with an idea of how EBITDA and free cash flow will look following the disposal of onshore drilling? Any chance you could give us an updated guidance on onshore?

FRANCESCO CAIO: Yes. So, when it comes to EBITDA, you can have a look at the numbers on the presentation and...for example, Page 7, those were the...where you see the contribution of the drilling onshore on the overall numbers and it was €58 million for the first half. And that's how much the drilling onshore accounted for in Saipem numbers.

And when it comes to...your question was on cash flows related to the...on the guidance. Now, so when it comes to the guidance, if you look at the numbers of the drilling onshore, the contribution today overall cash

proceed is not...it's not really material. So, we don't see a reason for reviewing the guidance we gave you for the year.

HARIS PAPADOPOULOS:Okay. Thank you.

OPERATOR: Gentlemen, there are no more questions registered at this time. I hand the call back to you.

FRANCESCO CAIO: Okay, thank you very much. Thank you for your attention, and we look forward to speaking to you at the next quarter.