Saipem S.p.A

"Full Year 2021 Results Update 2022-2025 Plan and Financing Package"

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I would now like to hand over to Saipem's CEO, Mr. Francesco Caio. Please go ahead, sir.

FRANCESCO CAIO: Thank you very much. Good morning, and welcome to this important Saipem presentation of our updated plan and financing package which includes a rights issue of €2 billion. And I'd like to start the day by expressing our appreciation of our shareholders, Eni and CDP, who have given to Saipem a significant support through their commitments.

I'm pleased to have today with me Antonio Paccioretti here on my left, our CFO, will take you through the full year results, and Alessandro Puliti here on my right, our COO, who will present our updated plan, the financing package. We also have in the room, Paolo Calcagnini, who has joined us recently, he's been instrumental in negotiating and finalizing our financing package with our lenders. Before giving them the floor, I would like to share with you some introductory remarks to set the scene for today's presentation.

Last time we met, I announced, among other things, the move to a new operating model with the objective to strengthen control...cost control, enhance risk management and fundamentally build one site amount of highly autonomous divisions. Now, the new organization was put in place in January with a major renewal of our executive team and it was further strengthened in February with the appointment of Alessandro, our COO, who's now in charge of all our business units and key operating central functions.

The backlog review has represented in January, the first clearly unexpected endeavor of new organization when a set of concurrent and favorable events has warranted an in-depth review of our portfolio. It was clearly not a nice exercise, it was painful, but needed, and give us now a solid base for our plan and full visibility of our backlog. The review, as you know by now, has covered almost 90% of our EPC portfolio and the problems were confined to a limited subset of projects, particularly in offshore wind.

Now, the outcome of the backlog review has obviously major impact on full year results accounting for about €1 billion out of the total 2021 EBITDA loss of €1.2 billion. This is not a loss that was generated by operations in the quarter, as you know. In fact, Saipem reported encouraging results, as we will see in a second. It is the sum of all unfavorable variances that few critical projects will need for their completion, the cost that they will need for their completion, and the accounting principles that we comply to require us to book all of these variances for the years to come in Q4. The results therefore in 2001 [ph] is almost entirely driven by additional future costs of few mainly offshore wind projects that were acquired in previous years.

The backlog review and its impacts on our financial has clearly I think, rightly taken center stage in recent weeks, but Q4 doesn't need to be overlooked. In October, we signaled, you may remember, some growing momentum in oil and gas traditional investments, with positive impact on drilling, that we were expecting. As in previous cycle, it is the first beneficiary of this recovery. The Q1...the Q4 results reflect Saipem's capability to ride this wave, and on and offshore drilling as you see, reported significant quarter-on-quarter sequential growth in both revenues and EBITDA. And as you can see, the Group EBITDA before backlog review would have been €120 million.

It is in this context…in this scenario, that we have updated our Business Plan, and I really like to thank Alessandro and the team for the contribution and leadership in these weeks to put together the plan that we will present in a second. But before doing that, I'd like to highlight 3 aspects of the plan. The first, is the key driver is obviously...maybe not obviously, but it's clearly for us to create value for shareholders. We are fully aware that we need to generate adequate returns for the equity shareholders who will invest.

Second, we don't start from scratch in this plan. The plan builds on strategic priorities and initiatives that we presented in October, a reduction in fixed cost and the exit from the vertical integrated model with yards, a focus on the new cycle of offshore investments, both in drilling and EPC, and a shift in E&C onshore from volume to value. And when it comes to renewables and energy transition, the need to move to a new model, as we just said in October, to participate productively and profitably in wind.

However…and this is this third element, the plan you will see today accelerates many of these endeavors, many of these directions. And we've also defined very concrete actions to generate additional cash so to offset the negative impact that the backlog review has brought. And the financing package that the board has approved yesterday gives Saipem the necessary resources to execute our updated Strategic Plan.

So that just seen, just a final remark in terms of the fairly dramatic developments that we've seen in Europe and a consequence on the European and Italian strategy. Frankly, I would have never thought to face these circumstances, but I think it is our duty as Saipem to confirm that the company is ready to play its role and part in the development of the energy infrastructures that Italy and Europe will deem necessary for their independence in the short and long term future.

With that, I would ask Antonio to take us through the numbers. Thank you.

ANTONIO PACCIORETTI: Thank you, Francesco, and good morning from me as well. I would like to begin with the backlog review which started in January and triggered the impacts to our financials resulting in the profit warning of the end of January. The review was completed in time for the approval of the 2021 preliminary accounts published on February the 24th, without any further impact from what was disclosed at the end of January. The extensive review was performed on the back of the signs of difficulty that emerged between November and December 2021, resulting in an increased risks of certain specific offshore wind and onshore E&C projects, which turned into higher cost and lower revenues for the full life of the projects, driving to the recognition of the full amount in Q4 following the international accounting standard.

The review was extensive in depth and externally validated, it covered 22 projects spread globally, which represents around 88% of the backlog of the E&C segment, in particular, 75% of the E&C off-shore backlog and around 95% of the E&C onshore backlog. In reviewing the projects, we have followed the procedures and the valuation methodologies in full continuity with the past. And to strengthen this exercise, we have also hired both industrial and accounting advisers which have verified our processes and methodologies.

The review ended up with 8 projects in both offshore wind and E&C onshore having the margins revised downward, with the negative impacts on our 2021 EBITDA adjusted of just above €1 billion, of which around 60% from the offshore wind and around 40% from the E&C onshore. This €1 billion impact at the adjusted EBITDA level came with no cash out in 2021. The cash...the cash impact will be spread over the planned horizon, starting from 2022 when we expect an impact of around 50% of the total.

Moving on to the group financials for the full year 2021. Revenue in the full year 2021 were €6.9 billion and absorbed the negative impact of the backlog review in the fourth quarter. According to the International Accounting Standards of the cost-to-cost method, the increase in the full life cost accounted for the projects turn into a lower progress. Excluding these impacts, revenues for 2021 would have been in line with the full year 2020.

Looking at the business, E&C offshore accounted for revenues of around €2.8 billion in 2021, with an increase of around €100 million versus 2020. Excluding the impact from the backlog review, the increase would have been more than 10% year-on-year. E&C onshore accounted for revenues of around €3.3 billion in 2021 with a decrease of around €600 million versus 2020.

Drilling offshore revenues were very strong, increased by 34% year-on-year, while drilling onshore were down around 70%, mostly due to the rig suspension in the first half 2021, which was not completely offset by the restarting of the activity in the second half of the year. For the full year, the average rig utilization rate has been 47% versus 55% last year.

Group adjusted EBITDA was negative by €1.2 billion, largely due to the €1 billion impact I was mentioning earlier for the backlog review together with the €370 million losses from the offshore wind already booked in Q2 and Q3, leading to a total impact close to €1.4 billion.

Let's now focus on Q4, excluding the impacts from the backlog review, group adjusted EBITDA would have been positive in the last quarter by approximately €120 million.

Moving now to the different business, E&C offshore adjusted EBITDA was negative for €951 million and is affected mainly by the backlog review for around €580 million and the above mentioned negative result of certain offshore wind projects which was already reflected in the first 9 months. E&C onshore adjusted EBITDA was negative by €436 million due to around €440 million of impact from the backlog review. In the last quarter, the onshore positive performance for the rest of the portfolio recovered the negative results accounted for in the first 9 months when the division accounted for a negative EBITDA for €42 million.

Drilling offshore performed well in full year 2021. The adjusted EBITDA increased by around 60% versus the previous year from €73 million to €116 million. Such an increase was driven by the revenue growth with a solid adjusted EBITDA margin of around 30%. We are definitely seeing important signs of cyclical recovery.

Finally, Drilling onshore full year results showed an adjusted EBITDA decrease year-on-year due to the lower revenue related to the above mentioned reduction of activity in the first half not completely offset by the recovery in the second half of the year. Q4 grew substantially versus Q3, with an EBITDA margin close to 28%. This positive trend was due in particular to the activity improvement in the Middle East in the second half. You can find the usual slides with details of the divisional results in the appendix.

In 2022, we expect a positive adjusted EBITDA margin in E&C Offshore driven by the oil and gas activities. Offshore wind activities are expected to be neutral in terms of margin and revenues to be executed at around €400 million this year. Given the impact of the backlog review on the E&C onshore with certain projects expected not to have margins going forward, we expect E&C onshore EBITDA margin for 2022 should stay around breakeven. On the contrary, both Drilling offshore and onshore are expected to improve their EBITDA versus 2021, driven by the visible recovery of the market, the expected growth of the revenues and EBITDA margin substantially in line with 2021.

Looking at below EBITDA; D&A decreased year-on-year by €70 million due to the termination of the contract on a leased E&C vessel last year in September and to the impairment losses for the offshore drilling assets in 2020. Lower financial expenses by €26 million are due to lower interest on leasing and FOREX costs which instead had an increase in Q4. This is the main driver of the increase in financial expenses by around €20 million in Q4 versus Q3.

All in all, the average cost of our debt in 2021 is around 3%. In 2022, it will be affected by the cost of the financing package just announced, which will be better described later on. The average cost of our debt after the financing package for 2022 is expected to be around 4%. Results from equity investments were positive by €9 million, improving in Q4 due to project execution.

Taxes for the period were €70 million, mainly withholding tax applied on gross revenues in specific countries and to a much lesser extent to a corporate income taxes. The year-on-year decrease is due to lower taxable income reported by profit-making entities. In 2022, we expect tax broadly in line with full year 2020 due to the expected recovery of the business.

Let's take a look at special items in the next slide. Special items in the full year were €553 million, of which €458 million at EBITDA level and €95 million below EBITDA. This special item came from. First, for direct cash costs related to COVID 19 of €78 million. Clearly, the pandemic didn't come only with this direct cost but also with the cost pressure on raw materials, logistics and delays, impacting projects, results and already factored in the adjusted EBITDA.

Second, the amount of €351 million is a combination of provisions for redundancy for €58 million and provisioning cost for litigation on certain projects for €293 million, of which €194 million for a first degree decision related to other project in Algeria already completed against which we have appealed. €99 million in relation to 2 projects already completed of which €62 million already accounted for in the first 9 months. We booked €124 million of write-downs, the bulk of which in the 9 months mainly related to assets and in particular yards planned to be closed in the next years, of this amount, €29 million are related to write-down of inventories with impact on EBITDA. Finally, after special items, reported net loss was above €2.4 billion.

Moving on to the balance sheet, the slide shows both the consolidated and the statutory accounts. It is important to focus on the statutory account where you can see the amount of the full year 2021 loss equal to €2.382 billion. The amount of loss net of the available reserve was equal to €1.720 billion, which is higher than a third of the share capital of the company.

The situation triggered the Article 2446 of the Italian Civil Code. This article requires the Board of Directors to call a Shareholder Meeting to take the appropriate measure according to law. In this respect yesterday, the board approved the financial package and called the Shareholder Meeting for the next 17 of May, for approving the Rights Issue of 2 billion which is aimed at strengthening the balance sheet overcoming the current situation and inter alia providing Saipem with the appropriate balance sheet going forward.

Let's look at the evolution of our cash flow and our net debt in 2021. The cash flow evolution before IFRS 16 is highlighted in the blue…in the light blue shaded area. Net cash flows from operations before working capital and CAPEX was positive by €110 million. Due to the positive contribution in Q4 since the first 9 months absorbed around €180 million.

Looking at the single components, €1.301 billion [ph] and around €400 million debt decrease is the sum of adjusted net result and D&A. This amount includes around €1 billion noncash impact from the backlog review which we split…strip out in the first bar in orange. The second component, €180 million, relates to cash out for special items, which are direct COVID 19 costs for €78 million and around €100 million from the cash settlement of the litigation in Q3.

Finally, €660 million is the positive contribution of working capital management. The bulk is related to the net advance payment dynamics, both for clients and versus suppliers for around €400 million. €80 million was the positive effect related to the payable for investment activity, which...for which a significant part was concentrated in the last quarter, around €100 million for cash in on projects upon delivery. The residual amount was related to strict control of working capital cash management and other nonmonetary items. CAPEX were €300 million, mostly related to vessel maintenance and class renewal ahead of upcoming project activities. All these elements led to a net debt at around €1.5 billion at the end of December, €200 million better than Q3.

Looking at the balance sheet and liquidity in the next slide, we described the situation in the year end into 2021. After the profit warning of the end of January and the triggering of the Article 2446 of the Italian Civil Code, the pressure we had to manage the availability of financing instrument necessary for the cash management activities and supporting our business led the company to work on the financial package which has been approved by the Board of Director yesterday and will be better presented in detail by Alessandro.

At the end of last year, we had €3.5 billion of gross debt, while liquidity amounted to €2.3 billion, of which €0.7 billion available. The available liquidity at the yearend, together with the cash flow generated by the operations, allowed the company to run the business without any further amount from the banking system and to get to the current available cash level of around €650 million excluding our cash held in joint venture.

Moving to the last slide of my presentation. Let's look at the backlog before handing over to Alessandro for the Strategic Plan and the financial package. The residual backlog of Mozambique project in the E&C onshore is around €3.5 billion for which in 2022 we expect only suspension costs on reimbursable basis. We expect to resume engineering activities go through to the yearend, and to restart operation in the first quarter 2023. The 8 projects that posed criticalities during the backlog review have been de-risked without considering the potential aside from discussion with the clients.

The positive developments in terms of award during 2021, €7.2 billion, mostly in the E&C offshore, resulted in a consolidated backlog of €22.7 billion which provides us a sizable starting point of our plan. Within this consolidated backlog, we have a project in Russia, which represent around €250 million. Non-consolidated backlog is around €1.9 billion, of which €1.7 billion are related to our minority interest in project in Russia.

And with this, I will hand over to Alessandro.

ALESSANDRO PULITI: Thank you, Antonio, and good morning. Let's start with a brief overview of our exposure to Russia. First of all, Saipem is acting in full compliance with applicable regulations and sanctions. Second, our consolidated backlog includes only one E&C contract for a refinery in Moscow, as just highlighted by Antonio. And today, this project is almost completed. We participate also through a non-consolidated joint venture into 2 E&C projects related to Arctic LNG. In this case, cash advances are in balance with the actual progress. No new acquisition in Russia are included in the 2022-2025 plan.

The revision of our Strategic Plan for 2022-2025 is built around 4 key guidelines. First of all, we have an high quality starting point for our future. The backlog review has already scrutinized almost 88% of the current E&C backlog ensuring full life cost and risk have been thoroughly considered. This, together with positive market trends in offshore E&C and offshore drilling, give us confidence for a sustainable revenue growth in the short and medium term.

To improve cash generation, we have already launched several quick actions to unlock liquidity from our existing assets and accelerate fixed cost reduction. We have set a new commercial and operating priorities in order to de-risk our business portfolio and promote progressive financial deleveraging of the company.

Looking at the oil and gas global market evolution, we see very positive outlooks in the short term, in particularly for E&C offshore and offshore drilling driven by the rebound of project sanctioning by the oil companies we expect in the next few years.

Going more in detail, the E&C onshore is expected to grow at 8% CAGR up to 2025 due to the recovery on conventional and SURF investment, particularly in Middle East and Africa. Offshore drilling is expected to show a 16% CAGR at global level.

Looking beyond oil and gas, offshore wind is confirmed to be a fast growing market with an expected CAGR in the plan of more than 30%. On top of that, the current energy market context can enable additional investments for diversification of energy sources. As a consequence of this positive market outlook, we want to pursue a new path to return to profitability based again on 4 key strategic actions.

First, increase the E&C offshore order intake and leverage offshore drilling to catch the short-term cycle and increase exposure on a business which historically has shown higher margins due to lower competition and our unique competitive advantage. Second, be more selective on…in E&C onshore acquisitions, while maintaining our focus on energy transition. Third, rethink our offshore wind strategy, repositioning in low risk projects in the first 2 years of the plan and, from 2024 adopting a new commercial and execution strategy. And the fourth point, deployment of cash quick actions.

To enable this path, we need to become leaner to plan and control our cost in a more integrated way, to be more risk discipline from bid to execution and to leverage the new organization to break any useless silo and factor on experienced cross fertilization among the different business lines.

Taking advantage of growth cycle expectation, we plan to strengthen our E&C offshore portion of business portfolio, which historically has shown double-digit EBITDA margins. Compared to the assumption underpinning October plan, we see an increase of the expected order intake by 14% with a similar mix between SURF and conventional. We expect to deliver consistent and positive results in the next 4 years given our unique competitive positioning in this segment, fleet, local content, technical excellence, reference in key countries and projects and, least [ph] but not last, strong reputation with clients.

Going more in detail about Drilling offshore, we see the Saipem has a schedule, it's covered in 2022 through a mix of committed periods, optional periods and contracts almost finalized, while for 2023 we are substantially covered. So we expect to record a potentially zero idleness in 2022, and considering the current positive trend of the market, also in 2023. Furthermore, our feeling is that a restart of the market is occurring nowadays, so we can take advantage of increasing day rates soon with a positive impact on our economics for year 2023 and 2024.

The recent acquisition of a contract with Aker BP for the operations in Norway with our semi-sub Scarabeo 8 is a good signal of the restart of the market. We have then collected further positive signals relevant to other business segments and we may be in the position to announce further acquisitions soon.

Following on to our E&C onshore, we want to be much more selective on future acquisitions to pursue a business de-risking path. We are focusing much more on value rather than volume. As you may see in the bar chart, this means 14% decrease in the expected order intake vis-à-vis our October plan. We move away from highly competitive segments to context where we are leading in terms of reference, local content and technology proposition.

LNG and gas monetization facilities, such as urea and ammonia plants, where we have patents and distinctive track records are broadly considered the bridge to transition and represents an example of our target segments. In the segment order, we have new energy vector such as biorefineries and green hydrogen to mention a few.

As announced in last October, Saipem confirms its dual strategy, being technical partner of oil companies for large and one of a kind projects, but at the same time, getting ready to deliver modular scalable solution to a much wider range of customers.

Robotics and industrialized solution portfolio is our answer, addressing markets quite different in terms of size and maturity. From offshore wind to green hydrogen, we expect to play a relevant role in all of them. Offshore wind is a core market for us, and we plan to adopt a new strategy to unlock positive return in the past...in the next years.

For what concern carbon capture, utilization and storage, we plan to leverage our capabilities to cover all the steps of the value chain from capture modular plants to pipelines and drilling wells for storage. We want to extract maximum commercial value from our robotic technologies and subsea facilities, looking also to new applications.

On plastic recycling and green hydrogen, we want to participate in pilot projects and monitor the technology evolution, getting ready for future scenarios. The total order intake expected amounts to around €4 billion over the planned horizon based on identified targets.

For what concern offshore winds active projects, we reached an agreement for schedule revision and we are expecting no further downside versus our recent backlog review. However, for the future, a step change of strategy is required. First, we have to reposition ourselves in lower risk segments until 2023, such as transportation and installation services.

From 2024 on, a new commercial and execution strategy will be deployed to catch offshore wind market full potential based on 4 pillars. First, maintain full ownership of design phase to mitigate executional risks. Second, access to specialized installation vessel through non-consolidated vehicles or joint ventures, partnering with local players in developed countries, and finally, adopting a risk-mitigating contractual model. In addition, we are deploying and testing our proprietary floating technology already recognized as technology of choice by a European major oil company.

Acceleration on fixed cost reduction is crucial for the return to profitability. We plan to address it through a double down on cost rationalization program already announced last October, along with an extension of footprint optimization scope. The effect of these actions are already embedded in the planned figures. On top of that, we have identified additional actions generating cash in the short term, conservatively not included in our plan.

First, the valorization of our drilling onshore business, we don't see it in our portfolio in the medium term, also considering its CAPEX intensive nature and the expected increase of competition in this segment. We see strong interest from the market on valorization and we have already entered in an exclusive period of negotiation for a sale and purchase agreement with a major specialized company.

Second, potential net cash in by sale and leaseback of selected high value Saipem assets with unique commercial and technical peculiarities. Finally, a potential upside in 2023-2025 from contract renegotiation, including milestone scheme incentives and accelerations. These cash boost actions can generate more than €1.5 billion additional cash in upside.

Focusing on cost rationalization, we plan to achieve a saving target in excess of €150 million in 2022 and €300 million in 2024 based on our 2021 baseline. We broadly confirm the nature of the initiatives announced in October with the additional of further actions on company's G&A. For example, we plan to further rationalize the international office footprint and carry out a deep G&A spending review. On top of that, we want to pursue the optimization of processes, leveraging also the opportunities enabled by the new organizational model. We already achieved around €80 million of annual run rate savings from actions already activated, while the additional €70 plus million savings rely on actions already identified and to be deployed in the next days.

Moreover, in early 2022, a new operating model has been deployed and the new executive team appointed. New business line established consistent with our strategic priorities, stronger role of the center in the risk management and cost control. We split our commercial and execution accountability with the aim to enhance the check and balance in bid process, consolidation of staff process and supply chain activities across business lines.

This will provide a step change in the way we work with an enhanced risk discipline from commercial to execution, a tailored approach depending on the type of project, process simplification and definitely work as one Saipem with no silos in the organization.

Moving on to revenues, we plan a 15% increase from 2021 to 2025 mainly driven by market positive trends, the commercial strategy described before and the progress in terms of backlog quality that will cover almost 93% of 2022 revenues.

EBITDA is expected to turn positive in 2022 to over €0.5 billion. From 2022 on, we plan an average yearly growth greater than 30% to reach a value over €1 billion in 2025 driven mainly by 3 factors, progressive reduction of backlog review impact over the period; the change in portfolio mix towards segments with higher margins; and third, the cumulative results of cost rationalization program.

Finally, regarding CAPEX, we confirm our strategy of being asset light, pursuing a disciplined approach with an average of €300 million per year and €1.3 billion cumulated over the plan period. In the graph, we see a concentration of CAPEX in the first 2 years due to the statutory certification required by some vessels in our fleet.

Turning to free cash flow. The first 3 years of our plan are still significantly impacted by the outcome of the backlog review. However, we expect a solid recovery over the period, turning positive by end of 2023. Our plan give us the confidence to reach more than €700 million cash positive in 2025.

In addition, and not included in the plan, we see the opportunity to add more than €1.5 billion additional cash generation from the specific actions described earlier, resulting into a better cash profile in 2022 and 2023 and a peak of more than €1 billion in 2024 and a slightly lower contribution in 2025.

Moving from the Industrial Plan to the financing, we developed a comprehensive financing package with actions aimed at strengthening the balance sheet, deleveraging the business model and supporting the 4-year plan execution.

The key objectives of the financial packages are, first and foremost since the equity has been substantially lowered by losses, restating in the adequate amount of equity, second, deleveraging the business through a lower level of net debt, third, restoring the adequate level of liquidity alongside the plan, four, stabilizing credit rating through recovery of our financials to ensure better access to the capital market from 2023 on in order to refinance our maturities.

Going into more details, we have confirmed the support from our main shareholders and the pool of Italian and international banks on a comprehensive financial package to secure the company in the long term and cover liquidity needs in the short term.

The key features of the financing package are; first, a €2 billion right issue for which our main shareholders have confirmed their support and they have committed to subscribe pro rata for their entire stake, which represents a combined 43%. The remaining 57% will be underwritten by syndicator [ph] banks with whom we have entered in a pre-underwriting agreement.

We will submit to the request for relevant authorization to Shareholders Extraordinary Meeting to be held on 17th of May and plan to complete share capital increase as soon as possible before yearend, depending on market condition and regulatory approvals. Second, short-term liquidity will be covered by a €1.5 billion package, in part provided by Eni and CDP and in part by a pool of the banks supporting us in the financing package.

In anticipation of the execution of the right issues, our main shareholders have, in fact, committed a €645 million contribution for future share capital increase which will be available by the 31st of March. Such contribution is split proportionally according to their respective stakes in the company and will be off-settable from the expected contribution in the capital increase.

On the bank side, we have signed terms with a pool of banks for an €855 million liquidity facility, initially fully guaranteed by Eni. We expect to refinance this facility in the short term with a new one provided by the same banks, but mainly guaranteed by SACE, the Italian export credit agency through Garanzia Italia, and only in part by Eni. The short term liquidity facilities will be reimbursed after the capital increase.

As part of the financing package, we are also working with the same pool of banks on a new €1 billion RCF, which will be available at the time of the right issue, as well as, bonding lines to sustain our commercial efforts. The current RCF will be canceled in the short term.

As a result, we can see positive effect on net debt and group equity. The net debt is expected to steeply decrease from €1.5 billion in 2021 to almost zero in 2025, with positive evolution from 2022 to 2025. This result comes without considering the positive upside from additional cash-in action highlighted before. Group equity, that includes also minority interest, is expected to increase almost 5 times in 2022, supported by the right issue and continued positive trend until 2025, driven by the expected profit generated in the following years.

We recap in this single page the company targets presented so far. These targets are the translation in numbers of the strategic revised plans supported by the financial package just presented. Let me highlight again that we confirm our target to return to profitability in 2022 with over €0.5 billion EBITDA expectation.

FRANCESCO CAIO: Thank you very much. Thank you, Alessandro. Thank you, Antonio. It's also an opportunity to thank the many people who helped us in the week for putting together the presentation and more importantly, the plan and the financing packages.

Just a few closing remarks. One mentioned to an important element of Saipem, our clients and our people. They provide us the most robust platform for any future growth and any future plan. And we've seen even in this challenging weeks how close and how proactive the relationship with our client can be.

We see growing momentum and demand for energy infrastructure around the world. And with the backlog review done, we want to capture this wave with a plan that is aimed to unlock liquidity and deliver growing EBITDA starting from this year. And the financing package that we've announced today give us the energy and the resources to go forward with a very positive commitment to deliver value to our shareholders.

Thank you very much. And now, I think we open to Q&A, and I think the team will help us with that. Thank you very much.

Q&A

OPERATOR: Thank you. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. To remove yourself from the question queue, please press "*" and "2" please pickup the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time.

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

ALESSANDRO POZZI: Thank you for the very thorough presentation, I think it's definitely a good step forward. And you mentioned, yes, it's been some time since we last spoke and probably a few topics to cover. And I think the first question is pretty much very basic one, and it's one that probably a lot of investors have. And I still struggle to understand how only after a few months of the strategy presentation in October we had such a big change in the backlog basically. And especially those projects that were at the corporate, they were...they've been...they had issues for more than a year. So I was wondering what exactly changed in those 3 months. And probably, there was a change of command issue, which I guess you have tried to solve it now with the new organization. But if you can give us more color of why those issues came up only few months after the strategy update would be great.

The second question is on the potential additional cash in…from the disposals from the leaseback, you mentioned €1.5 billion and you have I think a target of €1 billion in 2024. Can you give us more color of what that is? And with regards to the sale of onshore drilling, I guess, that's probably a fraction of the

€1.5 billion. And maybe you can give us a sense of whether you could execute that sale in 2022? Thank you.

FRANCESCO CAIO: Thank you very much for your question. Let me start with your first one and then I will ask Alessandro to elaborate. As you can imagine, when I joined the company, I've asked the management team to give a fair representation of risks and opportunities. And as you mentioned, we highlighted offshore wind was highlighted as the main issue. As you know, we're in the business of running risks. There were a lot of risks but nobody was brought outside the realm of what we normally do. What has happened in...and you may remember that the offshore wind in case had €200 million of pending revenues booked in the end of 2020. And we posted €400 million of cost adjustment already in the first 9 months of the year. As part of that, clearly, the risk of execution was clear. We started to negotiate with this client, particularly to see how could we kind of go back to an agreed schedule and possibly share the additional cost.

And what has happened...your question is very clear and was, as you can imagine, the question we had to wrestle with between the end of the year, beginning of January, there are 3 main events that have triggered this.

One is the negotiation with this clients all of a sudden stopping, which means that the €200 million we had posted as a pending revenues were kind of not pending revenues any longer. The second one is that a critical component of another wind project was notified as a major delay with consequences and impacts on the schedule and on the cost. And thirdly, not in wind, but with another onshore client that had given us longer time during COVID, all of a sudden, asked for an acceleration that forced the team to look into the raw material and logistics and the rest of that and change the acquisition and purchasing strategy with material consequence. It is at that time that I decided to say, well, hang on a minute, this is time maybe to read the entire portfolio because this is not the picture that we had in terms of risk management. And that the exercise, as you can imagine, not particularly brilliant, but needed, and I think, is an act of transparency that we went through.

Antonio has an indication of the parts of the figures. But broadly speaking, I think if you take just wind…the offshore wind, which we had for book another €600 million, leave or take a few million, in the review, means that if you put all together, the company suffered €1 billion of additional cost on a very limited set of wind projects. I don't know how you want to call it. We can call it learning curve, boy, it was a learning. But it was also perhaps the results of not a terribly lined-up triangulation between the risk you take, the technology and execution strategy you have and the risk you are happy to transfer on the contract. As a result, we stopped since October any acquisition of wind...offshore wind. But as you've heard, we already signaled that in October, and I will ask Alessandro to elaborate on that. There is a way forward now that makes a good learning out of this initiative.

You also mentioned chain of command. Look, the change in organization, as I made…said in my initial remarks. I would not expect the new organization to address the backlog review as a first one. But backlog review is the result of the organization. We've been asked, as you can imagine, many times, what the company can do to avoid this risk, to not get there again. And one of the key answers is the new organization that we established, we already mentioned as necessary in October and we've now implemented in January and strengthened with the arrival of Alessandro with whom we share the view, as you've heard from him, of breaking silos and putting all the competencies and the debate between tendering commercial execution in one room, around top management and have very honest and frank debate before you take projects and not after.

ALESSANDRO POZZI: Okay. And in offshore wind, so my understanding is that you're not going to take any more EPCI or turnkey projects at the moment, you're probably acting as a subcontractor just for the transportation and installation. But the losses on previous projects were they more in the foundation part or they were in the transportation as well?

FRANCESCO CAIO: Look, the issue is drilling.

ALESSANDRO POZZI: Drilling.

FRANCESCO CAIO: The risk is the drilling for foundation, plus the fact that you're learning as you go and the cost of this or the price of these projects were not covering the risk of learning. But fundamentally, it's around this...the technology, and Alessandro will give you more.

Just to complete your question, you're right, in the short term is completion of this project and T&I. But clearly, we are committed and determined to go back to wind, which is a growing market, but with a different...completely different risk allocation. We have handled the risks associated to a bunch of lenders with one principle, which is the type of customer you're dealing with in this project as if it was an oil and gas client. Different clients, different technology, different contracts, this is not the way it works.

And I'll ask Alessandro to elaborate even more on the new strategy for wind offshore and the other question on cash.

ALESSANDRO PULITI: Okay. Thank you, Francesco. So the new strategy on wind offshore is really based by one concept. First of all, 2022-2023, not taking any EPCI…new EPCI contracts, and this is definitely our choice. Then closing positively the projects we have ongoing. And here, we have...we set up a change of execution strategy to ensure that what we included in the backlog review as cost increase is more than enough to cover our future costs.

So now basically, we have de-risked the drilling activity through the provision of backup drilling machines. Then the schedule of those project has been also de-risked, because we agreed a new execution schedule with the clients. And also, we are chartering third party vessel jack-up types that are more suitable to carry out the remain planned activities than the current Saipem fleet. And least but not last, we also appointed a new management team to manage the wind project. So this is the short-term change of strategy. And you see the one key element of the short-term change of strategy is getting the utilization of jack-up type of vessel and strategy for getting more order intakes and then now, yes, EPCI type, starting from 2024, is based upon having access to a specialized vessel like jack-up vessels starting from '24, and clearly, drilling strategy with multiple backup that ensures no delay in the drilling activity for the foundation. So those are the basis of the new strategy for the drilling.

Back on the potential cash-in for...that we...that was the other question. Okay, let's start from the closest of our activity ahead of us. As I explained, the onshore drilling activity has been now subject to an exclusivity agreement to reach an SBA. This exclusivity agreement expires end of May. So the results of this activity will be seen, let's say, pretty soon in our horizon. This is a market segment where there is, I would say, increasing interest. So we think this can be really positively concluded. And our aim is to see the completion of this activity within year 2022. So this is the first one part of this package.

Then 2023-2024, instead, we want to, let's say, extract value from our current fleet. First of all, our current fleet of high performance floating drilling units. And this, I would say, is the step that is foreseen in 2023 while we are thinking in 2024 then to come to the point where we can extract value from our high performance fleet of installation vessel. So there is a clear plan. The plan is to enter into a sale and leaseback for the installation fleet. While for the drilling activity on floaters, we are planning also to study possible business combination to extract value from our fleet. So you see, year-by-year, we have a specific target to be achieved and targeting different part of our asset to extract maximum value for those.

ALESSANDRO POZZI: Okay. And for the onshore...for the onshore drilling, I had a number in mind of a few hundred million. So is that...would you be able to comment on whether that is the ballpark?

ALESSANDRO PULITI: Ballpark is more than €0.5 billion.

ALESSANDRO POZZI: €0.5 billion. Okay.

ALESSANDRO PULITI: More than €0.5 billion.

ALESSANDRO POZZI: Yes. Okay, that was very clear. Thank you very much.

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

MICK PICKUP: Good afternoon, gents. A couple of questions, if I may. Firstly, obviously, when you've been de-risking the backlog and you've made provisions, you can only make provisions, as far as, you can see. So can you just talk about the areas where you still think there may be some existing risk?

Second question, if I look at your expected E&C onshore order intake the old plan versus the new plan, obviously it's gone down 14%, but the Middle East has gone down 6 percentage points of that smaller number. So what is it you're not doing in the Middle East going forward or not planning to do in the Middle East, where was the risk that was unacceptable?

And finally, obviously, the world has been somewhat changed over the past 4 weeks while you've been doing this Business Plan and a lot of the future needs are going to involve more LNG and more gas which suits you. How has your plan changed in the very short term, because this plan seems to be like it was in October, one would think there will be more opportunities for you now? Thank you.

ALESSANDRO PULITI: Okay. So let's start from the last point. The plan was designed in October, but has been thoroughly reviewed in the last, I would say, 6 weeks. So the...as you said...as you saw before, LNG is becoming our main target of our onshore E&C activity. And this was really a few weeks before the energy crisis determined by the situation between Russia and Ukraine. And this was a bit independent from this. But now, it is even more important in terms of market, because growing in LNG, both in LNG liquefaction plant and LNG in terms of re-gasification plant, it is an essential key element for the energy source diversification for many countries. So a big part of that is our...is a pillar of our onshore E&C strategy. So that's definitely the point.

Which are the remaining existing risks? And clearly we are starting from a very good starting point, because the backlog review really was covering, I would say, at the end of the day, around 90% of our E&C activity. What remain out of the backlog review was essentially the drilling activity, both onshore and offshore. To be honest, they are not suffering of any problems. I would say on the other end, in these days market clearly picking up, is really...is not certainly a problematic area of our business. So the starting point was this thorough review end of January. And an important part, it is also the fact that having done it end of January, we already included and factored in the increase of cost of many commodities that started well before the current situation, because we saw increase of commodity price starting from the summer of last year. And all of that is already included. So what we feel is that we have a very robust assessment.

And then looking at the future, I'm expecting...I'm also anticipating, I believe, a question that will come is how we do handle the current expectation of a further increase of the cost of the…or the price of the commodity. Okay, we have to understand, one...I believe, one very important point. That if we look at our backlog of activities for 2022 and 2023, we have 70% of what we need already procured. So this is on its own a de-risking of our procurement activity for the future. So you see that…if you ask me what is the risk? Yes, we cannot deny a risk on the increase of price of commodities and supplies, but this is very confined, limited and manageable.

MICK PICKUP: Okay. And on the geography change, Middle East dropping 6 percentage points of a smaller number?

ALESSANDRO PULITI: Sure, Onshore E&C Middle East is decreasing because we are really...we want to concentrate on the LNG. We want to concentrate, as I said before and also in energy transition. This means, as I said, urea plant and ammonia plants that are located also in other geographical areas. So this is the...there is no specific reason. The reason is because we want to target those segment or market.

MICK PICKUP: Okay. And, if I can raise one final question You said something quite important in the presentation you said a lot of things quite important. But one of them was an increasing role of the…in risk management and control. And obviously, every time we've seen situations like this, I think investors want management to put their own name to every risk in every project. So what are the limits you have set on projects being signed or contracts being signed without the center being in control of it?

FRANCESCO CAIO: €250 million, and we put that limit back in October, and we're now refining all the...the contracts have been already evaluated since October and this would continue to be the case for that level.

MICK PICKUP: So a division can sign a $200 million contract without central approval, that’s correct?

FRANCESCO CAIO: Well, hang on a minute. It depends on the type of the contract and on the complexity of the bid. As you may remember, for instance, the wind projects that were below the level of the board, I was Chairman at that time, I don't know, fortunately or unfortunately, didn't see them coming before being signed. But there are golden rules that the teams have to go through. And based on the complexity, on the risk, on the client, on geography and technology, that threshold can move down if needed.

MICK PICKUP: Okay. Thank you

ALESSANDRO PULITI: I would like just to take on the last point that Francisco made. And clearly, if there is a golden rule deviation in terms of risk taking, even a one penny project will be scrutinized by the top management.

MICK PICKUP: Okay. Thank you, cheers. Good luck.

OPERATOR: The next question is from Guillaume Delaby with Societe Generale. Please go ahead.

GUILLAUME DELABY: Yes. Good afternoon. Thank you for taking my question. 3 quick questions, if I may, maybe starting with Slide 33 regarding the evolution of net debt. So looking into 2022, you expect net debt of €800 million after €2 billion rights issue. So should we assume first a large working capital outflow? And second, should we also expect, I would say, some EBITDA, especially in offshore, producing no cash flow. This is my first question.

My second question is, if I still look at this chart, basically, the massive cash flow improvement will be in 2025 with the €1 billion net debt...more than €1 billion EBITDA. So if you can confirm me that?

And my third question is, I would say, a credit question. Can you confirm us that the RCF is more senior than the other bonds? Thank you very much.

FRANCESCO CAIO: Antonio.

ANTONIO PACCIORETTI: As far as the first part of the question, I mean, the cash flow evolution for 2022, I believe that the best way in order to give you all the numbers you need is to elaborate a bit on that for the different elements on the cash flow. I will start saying, as you know, the...starting from the guidance we gave for the EBITDA this year is something more than €500 million, the first point. The second point is the level of the CAPEX, that is something more than €300 million. So let's say, between €300 million and €400 million. The third element is the amount of cash out that are in relation to financial charges and taxes which is in the range of €350 million.

And then finally, to the working capital, the working capital is expected to absorb a significant amount of cash. We expect something around...something around €850 million…between €800 million and €900 million. And this is significantly impacted by 2 elements. The first one is the cash effect on the backlog review. As I was saying in the presentation, out of the €1 billion of backlog review which has been accounted for end of last year, around €500 million will be the cash effects for 2022. The rest, for permitting you to arrive at the €850 million of net working capital absorption, is the effect of the dynamics of the advance payment.

The advance payment is an important element we have to take into account for understanding the evolution of our net working capital, not only for 2022, but also for the plan.

For...we start from the current situation in which we do have around €1 billion of advance payment. We expect to have this advance payment to be absorbed throughout the 4 years' plan and partially compensated by the new advance payment for the new orders. All in all, in the plan, we expect to have a cash absorption for this phenomenon of around €500 million, of which between, I would say, around €300 million in 2022.

So I would say that those elements permit you to build your math, both for the evolution of debt in 2022 and the evolution of that throughout the 4 years' plan.

GUILLAUME DELABY: Thank you very much.

FRANCESCO CAIO: On number 3, maybe Paolo Calcagnini can help us, it's around the seniority of RCF.

PAOLO CALCAGNINI: So the RCF would be negotiated by the rights issue. So we're going to negotiate it in the next few weeks or months with the banks. So I'll keep the question for the next investor presentation. We are not in a condition to say how the RCF will look like. The current RCF which would be replaced by the new one is not subordinated to other creditors. So we will be working on the same kind of scheme.

FRANCESCO CAIO: And then the final one was on EBITDA dynamics, if I remember correctly.

GUILLAUME DELABY: No. The final one basically was...basically the massive debt reduction is in 2025 only, so I guess, thanks to the EBITDA dynamic. In fact, the implicit question was, why not before 2025?

ANTONIO PACCIORETTI: The main element, which is based on the fact that our company start to, let's say, it is...it has a neutral situation in terms of cash flow generation in '23 and start generating cash in '24. And then for a significant amount for the last year it's the fact that the disbursement we expect for the timing of the disbursement we expect for the backlog review will terminate by the end of this plan.

And therefore, in the first years, the disbursement for the backlog review is compensated by the cash flow generated by the business. When this such disbursement for the backlog will terminate, we will have the cash flow...the cash flow from generated by our cash flow and by our operating activities. This is mainly the main reason.

GUILLAUME DELABY: Thank you so much, Antonio. Crystal clear and I turn it over. Thank you.

ANTONIO PACCIORETTI: Thank you.

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

SASIKANTH CHILUKURU: Thanks for taking my questions. I had 2, please. The first one, I just wanted to understand where we are with the Mozambique LNG project, your view regarding the contribution of this project in your financial plan, especially for 2022. Just wondering what you have accounted for it in the greater than €500 million EBITDA guidance for 2022.

The second one was related to the expected order intake in the E&C Offshore business,...ex-offshore wind. You talked about a 14% increase in the order intake since your last plan...since your October plan. Just wondering what percentage of this was attributable to the change in the macro environment, i.e., increasing the overall global oil and gas offshore CAPEX expectations and due to the...due to significantly higher oil and gas prices since October. Has there been any change in the company's strategy to access perhaps new geographies or expand in countries where you have a relatively low market share now?

ALESSANDRO PULITI: Okay. So first of all, Mozambique project. As you know, Mozambique project now is suspended due to the security situation in Mozambique. Our expectation is that the project will start by end of Q3, Q4 this year, restarting basically with engineering activity more than actual construction activity on the ground. So therefore, those are the basis of this...of our valuation in the...of the Mozambique project. So definitely, there is not a big contribution in 2022, just to be very clear on our EBITDA projection.

While offshore 14% increase, why and where? So basically, we revised our plan on the basis of the expectation of order intake mainly in West Africa, where recent discovery done by several major oil and gas companies, they need to be appraised and developed. And what we see, we see a clear demand for the drilling activity increase. And clearly, the demand for drilling activity increase will be immediately followed by the increase of demand for SURF and offshore conventional installation from...for engineering and construction offshore, simply because our clients, after having drilled wells, then they want to connect it and to start to produce them as quickly as possible.

And so the reason why we see this increase is because there is a real higher number than projects that we see coming in the next months, with also the major oil and gas company willing, let's say, to surf the wave of the price of the commodity and catching this window that is very favorable now for oil and gas development. So those are the basis. And this increase is based upon, let's say, market inquiry we received from the major oil and gas companies.

SASIKANTH CHILUKURU: Very clear. Sorry, just to follow-up on the Mozambique comment. I was just wondering, does it lead to any higher costs? Or is it all covered in the €3.5 billion backlog that you have currently for Mozambique? Just trying to see the dynamics once you go back to an engineering phase?

ANTONIO PACCIORETTI: No, it's not meaning an increase of cost since the suspension period is covered...is reimbursable. That was agreed with the client.

SASIKANTH CHILUKURU: Great. Thank you very much.

OPERATOR: The next question is from Morgan Allen with Man Group. Please go ahead.

MORGAN ALLEN: Hello…

OPERATOR: Mr. Morgan, your line is open.

MORGAN ALLEN: Yes. I have actually 2 questions. I mean the first is the timing of the rights issue. Why you...I mean the timing is just by year-end. Why then you are open to market risk for such a long time? And what's your alternative if then the...actually the stock is trading below the issue price. I mean, it's not clear for me why such a large timing.

And my other question is that, I mean, I've seen a lot of restructuring from Saipem. Why is it? I mean why this time it's different? And if I may, if I add your main shareholder, Eni, has already said that they don't want to be a long-term shareholder. And the conflict of interest because it's also your main shareholder and your largest client, I mean, to what extent that cannot bring a conflict of interest when there are disputes?

FRANCESCO CAIO: Yes, we got the question. I would ask Paolo to take the first one on timing of capital increase.

PAOLO CALCAGNINI: Hi. So we will do the rights issue as soon as we can, obviously. So the...by year-end is an indication of the maximum deadline for doing the rights issue. But the company is working to launch the rights issue as soon as we can. Obviously, you know that there are some regulatory approvals that we need to go through and, obviously, subject to the market conditions. But we will take the first opportunity to do the rights issue, we don't want to wait till the very end. And yes, that's the plan.

FRANCESCO CAIO: Thank you. Before giving the floor to Alessandro...sorry, go ahead.

MORGAN ALLEN: But just one thing. Sorry, sorry. I mean it's not normal. I mean we are in March, right, but the timing of the rights issue, it's by year-end. So we say within 7 to 9 months. It must be something else, right?

PAOLO CALCAGNINI: Absolutely not. So the financing package we are talking about gives the company enough room to launch the rights issue in the best conditions, which is going to be as soon as we can, provided that we get all the approvals and that the market conditions are such to launch the rights issue. And the banks that are underwriting the pre-underwriting agreement, they are signing the pre-underwriting agreement, agreed to underwrite the rights issue, to pre-underwrite until year-end. Obviously, we are planning to do the rights issue as soon as we can.

MORGAN ALLEN: Okay. And the discount to TERP, I mean...when do you think that could be announced? Or you don't know when?

PAOLO CALCAGNINI: As the market standard that we will define the discount for the rights issue when the rights issue…we get close to the right issue. It is going to be done with the banks that are assisting us in the rights issue.

ANTONIO PACCIORETTI: It is important to give more visibility on the process. Yesterday, the Board just has approved to present to the shareholders the general...to the shareholders that will decide on that on the 17 of May such a capital increase. Then the shareholders' assembly will resolve on that and will give the power to the Board for deciding in terms of condition of the right issue later on. And the terms and condition of the right issues, as Paolo was just saying, will be decided according to the market at the time later on. So I would say that it is perfectly in line with the market standard.

Again, please take into account the fact that having the 2 major shareholders already committed to a capital increase and receiving...having signed a pre-underwriting agreement with the pool of banks, we believe that we have significantly reduced the risk of the transaction. So we are fully committed to do that as soon as possible also because we wanted to leverage on the increasing market, let's say, restart of the oil and gas market and we want to ride the wind, as Mr. Puliti was saying before, also from a capital market point of view.

MORGAN ALLEN: Okay. It's clear. And what about the second part? I mean...

FRANCESCO CAIO: Just Eni is not our largest account, but Alessandro will elaborate on that.

ALESSANDRO PULITI: Okay. So Eni is a historical Saipem shareholder. And we have a main shareholder. And about your question regarding how we manage possible conflict of interest, I would say that we do the same we did in the last year and we have done in the past, since nothing from this point of view will change on the future. So we work with Eni as we work with all the other clients.

And there are no special or particular problems, because also when we work for Eni, we work under...normally under joint venture umbrellas and with the rules and regulation of each joint venture, so there is no a new problem. There is, I would say, there are maybe opportunities more than problems. And together with Eni and we hoped, for example, Eni to deliver an extraordinary project that was the Zohr projects that brought in just over 2 years a reservoir on stream, then nobody was believing could have been brought to stream in just over 2 years. This is what happens when we work with Eni sometimes.

MORGAN ALLEN: Thank you.

OPERATOR: The next question is from Sajan Shah with Morgan Stanley. Please go ahead.

SAJAN SHAH: Thanks for the presentation. I'm just wondering, could you clarify in specific detail what the exact get-out clauses are from the pre-underwriting agreement from the bank? So under what conditions do they not have to proceed to underwrite their share of the stock?

Then if the capital raise is not successful for whatever reason, or the banks don't get the additional approvals for the...for the RCF exposure, are you planning on being a bit more prepared in terms of discussions with bondholders and existing creditors, so that you're kind of not caught off foot like...with regards to maturities and things like that?

And then finally, could you give us an update on the litigation, especially things like the Husky Energy arbitration? And do you expect any further litigation from shareholders? I guess, given at the time of the 2020 Annual Report, the U.K subsidiary hadn't been signed off, is there any risk around that, that you see?

FRANCESCO CAIO: Take one at a time, I would start from Mario Colombo, General Counsel on your...on the last part of your question, and then Paolo will address the other one.

MARIO COLOMBO: As far as the Husky litigation is concerned, the litigation is over. It has been settled. And so this matter cannot determine any further effect on our balance sheet. Generally, on litigation with shareholders, we do have…so far, we won all the litigations and so there have been no consequences for the company.

And so as far as the other litigation are concerned, the balance sheet will provide a detailed update, but we do not envisage any particular negative outcome. In any case, we have a process for periodically assessing the litigation through opinions rendered by external counsels.

FRANCESCO CAIO: Just to clarify, you mentioned the balance sheet, you were referring to the Annual Report.

MARIO COLOMBO: Yes, the Annual Report.

SAJAN SHAH: Okay. So there's nothing in the plan for kind of any additional litigation related to the 2020-2021 balance sheet.

MARIO COLOMBO: Okay, no.

FRANCESCO CAIO: Paolo…

PAOLO CALCAGNINI: The Pre-underwriting agreement. Obviously, we cannot share the details of the pre-underwriting agreement as long as it's confidential. But it's market standards. So the conditions in the agreement are those that you would normally find in any pre-underwriting agreement. It's standard…market standards.

SAJAN SHAH: And then just finally around the preparation in case of the capital raise not being successful or the banks not getting the approval for the additional lines, you plan on kind of being kind of being a bit more engaged with bondholders just in case any contingency...do you have any contingency planning that you're thinking through?

PAOLO CALCAGNINI: As I said before, as I said before, we feel...and if we came to the...if we sign a pre-underwriting with such a large pool of international banks, we are all confident that the rights issue will be successful and can be launched as soon as we can. But at the same time, we plan for having a larger window in terms of timing to launch the rights issue. That's why the financing package is such to allow the company to get as long as end of year to launch the rights issue.

SAJAN SHAH: Thank you.

PAOLO CALCAGNINI: Thank you.

OPERATOR: The next question is from Areti Loizou with Boundary Creek Advisors. Please go ahead.

ARETI LOIZOU: Yes. Hi, thanks for taking the questions. Can I just start by clarifying the 2022 and maybe even 2025 EBITDA guidance you gave, does that include the divestments that you're hoping to achieve in 2022, so the onshore drilling and the other identified assets? And if it does, can you just give us the EBITDA that you expect to not realize if those asset sales go ahead, so that we have the clean EBITDA numbers, please?

ALESSANDRO PULITI: Okay. So the reply is pretty quick because it does not include the additional cash-in actions we were describing. So it does not include the offshore drilling and does not include the other actions I was describing before.

ARETI LOIZOU: Okay. So that EBITDA number is clean. There won't be any adjustments to be made if those assets are sold?

ALESSANDRO PULITI: Exactly.

FRANCESCO CAIO: No, the other way around. The plan you see is the cash flow with the organic picture of our portfolio of businesses. We have not drawn the implication of disposing of those assets in the cash flow profile you see.

ARETI LOIZOU: Yes, but you're hoping to dispose them. So can you give us an idea of what the EBITDA related to those disposals are? Because it would be great to dispose them, you get in the cash, but then it will affect the going concern EBITDA of the business, yes.

FRANCESCO CAIO: We get it. We get it. Antonio.

ANTONIO PACCIORETTI: The number that we can share with you is the EBITDA for the activities in the drilling onshore that in 2021 accounted for at around €80 million. You have to compare such a contribution with the expectation that Mr. Puliti said before in terms of value of the business.

ARETI LOIZOU: Okay. And I assume that, that number you were hoping was going to be higher in 2022 given the commentary on the drilling business recovering?

FRANCESCO CAIO: Correct.

ARETI LOIZOU: And can I ask...great. Can I ask on the cost savings that you guys are presenting here today, what’s the cash restructuring charges related to those, please? And how do they split between 2022, 2023?

ANTONIO PACCIORETTI: The numbers in terms of savings that we have just disclosed to the market are net of the investment we have to deploy for reaching that. So you have to consider such a savings as a whole.

ARETI LOIZOU: I again understand. But usually, there's a cash restructuring charge that you have to undertake in the year, say, if you're laying off people or whatever you're doing.

And I'm just trying to get to the cash number just to get a full bridge of what the cash burn is going to be in '22 and '23.

ANTONIO PACCIORETTI: In this program, we do not expect to have this kind of situation. The investment we do for reducing the number of employees is already in our accounts and it has been discussed as far as the 2021 number before. So anyway, we can give you more detail on that.

ARETI LOIZOU: Okay. Can I check the timing on the Eni loan and the loan, the €855 million loan from the banks? Is that imminent? Because obviously, you've got the April maturity coming up?

FRANCESCO CAIO: Yes, Paolo, we will again remind us all of the timetable.

PAOLO CALCAGNINI: Yes. It will be drawn by end of March, and so by the time we have to reimburse the bonds you're referring to. And the duration is going to be 1 year. Obviously, we will reimburse the short-term loan when the rights issue will be completed.

ARETI LOIZOU: Yes. Okay. Great. And can I also check what's happening on the bonding facilities? Can you give us some color? Because obviously, that's a...that's another big slug of debt which we don't usually tend to pay a lot of attention to because it's part of the ongoing business. But do you have any need to replace facilities there because of the breach of the Civil Code? Can you just give us a little bit of a color on what's going on, on that side of the financing, please?

PAOLO CALCAGNINI: So the breach of the Civil Code doesn't have any effects on the bonding lines, and to answer your latest question. And we got from the same banks of the financing pool, preliminary approvals to support the company for the bonding needs that go from now until the end of the year. So we don't see any discontinuity in the support that we're receiving by national and international banks when it comes to supporting the company commercial activity by issuing bonds.

ARETI LOIZOU: Okay. And when you say preliminary, is that in the same way that the...the capital raise has been preliminary underwritten?

PAOLO CALCAGNINI: No, no. Thanks for the question. So you know that when it comes to bonding lines, you never get commitments by financial institutions because they need to see each deal one by one to get you approved because, obviously, bonding lines are connected to specific projects. And so the way it's always worked, it's been that banks give us an indication of how much risk they are willing to take.

And then whenever you get the project and you need bonding lines, you go to the bank and you negotiate deal by deal the single bonding line. That's why you cannot use the word committed as for a normal credit line, but it's preliminary approved and then you go to the financial institutions presenting each specific projects that you need to cover through bonding lines.

ARETI LOIZOU: Okay. And then I guess, can I just also ask, could you at all give us an indication on the current state of the cash balance? I know we've got the numbers of December but we're almost now at the end of Q1. And again, for just building the free cash flow burn, the evolution and just building up all the cash needs that you guys are going to have, it will be helpful just to have an updated number of where the cash...the unrestricted, I should say, cash stands today?

ANTONIO PACCIORETTI: Current, I mean, yesterday, cash deposits available to the company was in the range of €650 million. Available, not considering the ones...I mean, the amount we have in joint ventures.

ARETI LOIZOU: Yes, the amounts I get. Okay, great. Thank you for your answers. Thank you.

OPERATOR: Gentlemen, there are no more questions registered at this time. The floor is back to you for any closing remarks.

FRANCESCO CAIO: Okay. Just thank you very much for your attention. And watch the screen because we're going to be moving into execution with a great commitment to deliver value. Thank you very much.