

Saipem S.p.A.

"First Half 2024 Results Conference Call"

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

OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining the Saipem First Half 2024 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 Alessandro Puliti, CEO of Saipem. Please go ahead.

ALESSANDRO PULITI: Good morning and welcome to the presentation of Saipem results for first half of 2024. I'm here with Paolo Calcagnini, our CFO, and with the rest of the top management team. I will start with the key highlights and then Paolo will cover the financial results in more details. I will then wrap up with my closing remarks before starting the Q&A session.

Let's start with the key highlights. I'm pleased to report that in the second quarter of 2024, Saipem recorded an acceleration on both order intake and cash flow generation. We also posted the highest quarterly EBITDA since Q4 2019.

Revenue stood at €3.4 billion, growing by 22% year-on-year and 11% quarter-on-quarter, largely driven by the contribution of our offshore activity. EBITDA stood at €297 million, growing by 36% year-on-year and 11% quarter-on-quarter. EBITDA margin stood at 8.8% in line with the level of the first quarter of the year.

In the second quarter, we generated €110 million of net cash flow, an acceleration compared to the €68 million recorded in the first

quarter. Net debt has decreased both on a pre- and post-IFRS basis, notwithstanding a net increase on lease liabilities of about €49 million. The deleveraging process is part of our overall de-risking strategy, coupled with specific actions related to the EPC model, which we will cover in more details later in the presentation.

The order intake in the second quarter was very strong, at €5.1 billion, implying a book-to-bill of 1.5 times. Our backlog currently stands at more than €30 billion and remains at record levels. We are on-track to achieve our 2024 guidance. In particular, in the second part of the year, we expect a further acceleration in the performance of Asset Based Services.

Let me now give you an update on our commercial activity. Since the beginning of the year, new awards stood at more than €7 billion, with a good level of diversification between clients, geographies, and types of projects. This reflects both strong market conditions and also our ability to capture opportunities.

In Angola, Saipem has been awarded an offshore contract by Azule Energy for the development of the Ndungu field, located 180 kilometers off the coast. Our scope of work entails the engineering, fabrication, transportation, and installation of 60 kilometers of rigid pipelines, as well as subsea facilities at a water depth of more than 1,000 meters. In addition, we will transport and install flexible flow lines, jumpers, and 17 kilometers of umbilicals.

Still in Angola, Total awarded us the Kaminho project, which consists of 3 integrated contracts for the development of Cameia and Golfinho oilfields, which are located 100 kilometers off the

coast. The first contract refers to the EPC transportation and commissioning of the Kaminho FPSO vessel. The second contract is for the operation and maintenance of the FPSO for at least 12 years. The third contract relates to the EPC plus installation, pre-commissioning, and assistance of a SURF package, which includes 30 kilometers of subsea flow lines, risers, and umbilicals. The Kaminho award confirms the competitiveness of our integrated business model.

We have a strong presence in Angola, where we already operate three FPSOs and where we own and manage a yard in the city of Ambriz. For the offshore campaigns of both Ndungu and Kaminho, we will deploy our FDS vessel, which will be operating in Angola in 2026, 2027, and 2028.

Moving to the Middle East, we have been awarded two offshore projects by Saudi Aramco. The first one is the EPC of a 50 kilometers crude trunkline for the Abu Safa field. The second one is related to the production optimization programs of the Berri & Manifa fields. As we already mentioned in the Q1 call, we expect activity in the Middle East to further pick up in the second part of the year. While the awards in Angola and in Saudi Arabia are traditional oil and gas projects, we are also making further progress on our low-carbon offering.

In July, we have been awarded an EPC contract in Northern Europe for a large-scale green ammonia storage tank. This tank will be part of a new green energy import terminal, where the stored green ammonia will then be processed to produce green hydrogen. This project further consolidates Saipem's track record in the energy transition.

Let me now deep dive on the de-risking of our EPC business. While we are confident in our strategic positioning as contractor, the world we live in has become more complex and volatile than ever. In this light, we have proactively decided to lower the level of risks associated with the traditional EPC scheme.

We are doing this by moving away from the traditional lump-sum model by increasing the portion of our contracts being covered by de-risked provisions. This is something we have talked extensively, but today we are pleased to share with you some hard numbers.

The de-risked portion of our EPC contract grew from 6% for the pre-2022 awards to the 22% for 2022 and 2023, and 36% for the contracts signed so far in 2024. Some of these de-risking provisions cover the procurement side of the contract, while others cover the construction and fabrication activities. In particular, on the procurement side, we typically include price adjustments clauses. We have clients purchasing directly long-lead items, or we enter into pre-agreements with vendors. On the construction and fabrication side, we typically include reimbursable or re-measurable scope of work, price adjustment clauses, and pre-agreements with subcontractors.

Please bear in mind that a portion of the typical EPC contract value relates to our engineering services and to our fleet utilization. These are portions for which we take full risk, while the de-risking provision relates to areas where we cannot control risk directly, such as procurement and construction. In addition, we are increasing the number of competitive feeds that can evolve into EPC contracts, as well as increasing our project management consultancy activity, focused specifically on the onshore E&C.

In summary, we shifted significantly our approach to EPC, and we remain committed to continue to apply a significant degree of de-risking to all new EPC awards going forward.

Together with the de-risking of the EPC model, we continue to focus on reducing financial risk and lower our debt. I am pleased to report our net financial position continues to improve at a steady pace.

At the end of the second quarter, we recorded a net cash position pre-IFRS of €394 million, which is supported by €1.3 billion of available cash. We have now reported four consecutive quarters of positive net cash flow generation for a total reduction in net debt of €360 million. Cash flow generation has accelerated since the end of June last year, due to the reduction of the weight of the legacy projects, and thanks to the growth of our offshore E&C business. The market for both financing and guarantees is wide open for Saipem.

In the last 2 years, we have built the largest backlog ever for Saipem, which currently stands at €30 billion. The offshore E&C portion has more than doubled in the last 24 months, and currently stands at €16 billion. In particular, the weight of the offshore E&C backlog has grown from 33% to more than 50% of total backlog. In addition, more than 80% of the current backlog relates to projects won from 2022 onwards. These are projects with much better conditions compared to previous vintages, both in terms of pricing and risk profile, as demonstrated by the increasing portion of the de-risking incorporated in recent contracts. The size and the quality of our current backlog grant us very good visibility on our strategic plan targets.

Visibility is also high when it comes to the utilization rate of our fleet. As you can see from chart on Slide 9, the expected level of utilization of our E&C vessels has increased materially in the last 18 months. We are currently fully booked for both 2024 and 2025, and we have a substantial level of expected utilization for 2026. We are also starting to allocate vessels to project for both 2027 and 2028. This is the result of very strong market conditions for offshore development, both conventional and deep water, and a sign of market tightness when it comes to availability of vessels.

As a reminder, our focus is to utilize as much as possible our own E&C vessels and meet any extra demand with chartered vessels, such as the JSD 6000, which has joined our fleet at the beginning of Q3.

Let me now spend some time on Courseulles. The project will allow Saipem to complete its current track log in wind offshore foundation. So far, we have mainly performed projects based on jack-ups, while this time we are installing monopiles. As you know, we completed the construction and assembling of the drilling system in Q1. All the 64 monopiles and transition piece are ready.

The drilling system is now mobilized on the Vole au Vent jack-up vessel and is currently on location. In these very hours, we are doing commissioning of the drilling system on the testing location assigned to us by EDF at Courseulles, in order to be ready to drill the first foundation socket. All support vessels are mobilized and ready to start operation. I'm confident that we will complete the project successfully by mid-2025.

Let me now hand over to Paolo to cover the financials in more details.

PAOLO CALCAGNINI: Sandro, thank you, and good morning to everyone. We will begin from the Slide 12 with a summary of the financial results for the first half of 2024.

Group revenues increased by 20% year-on-year, and our EBITDA increased by 38%, mainly driven by the performance of our Offshore business, both E&C and Drilling. In the first half, we also experienced a significant improvement in EBITDA margin compared to the last year, with the EBITDA margin reaching the level of 8.8%. The higher EBITDA margin is the outcome of a more favorable mix, given the growing relevance of our Offshore E&C business.

The net result was €118 million compared to €40 million in the first half of 2023. Operating cash flow was positive for €455 million, more than three times the level achieved in the first half of 2023. This is the proof of the progress made in terms of cash flow conversion, as well as a significantly lower impact from the legacy projects compared to the previous years.

Let's now go through the different businesses, and let's start from the Asset Based Services. The division had revenues of €3.4 billion in the first half of this year, up 32% from last year, thanks to the performance of the traditional and subsea oil and gas projects, which more than made up for the reduction in Wind Offshore activity and backlog.

EBITDA was €391 million, up 50% from last year, with EBITDA margin at 11.3%, increasing by more than 140 basis points from the first

half of the last year. The main reason for the higher EBITDA margin was a better project mix, especially the lower share of the Wind Offshore projects.

For the second half of this year, we expect the division to have higher revenues and EBITDA than the first half, driven by the schedules of some key large projects in the Middle East, West Africa, Europe, and Latin America, only partially offset by the completion of mature projects.

Let's have a look at the Drilling Offshore at Page 14 of the presentation. The division reported revenue of €446 million, 24% increase from the same period of the last year, while the EBITDA went up by 18% to €166 million.

The main drivers of the top-line growth in the first half were the expansion of the fleet and the higher average day rates, partially offset by the start-up cost for a jack-up in Saudi Arabia. Growth was supported by the beginning of the operations of the DVD and the Perro Negro 12, by the higher number of operating days for the Perro Negro 11, and by the day rate increase of one of our deep-water floaters.

The strong operating performance was partially offset by the downtime for the Scarabeo 9 that underwent maintenance, by the start-up cost for the Perro Negro 13, and by the impact of the temporary suspensions in Saudi, especially on the Perro Negro 9.

As a reminder, the temporary suspension from Saudi Aramco affected three jack-ups. Two of them started during the second quarter, while the suspension for the third one will begin in the

fourth quarter of this year. Our plan for the 3 jack-ups remains the one we discussed in April. One jack-up will be returned to the owner in the second part of this year, a second jack-up will go through planned maintenance works, and the third jack-up will most likely replace another unit in a different geographical area, and the replaced unit will be returned to the owner.

For the second part of this year, we expect Drilling Offshore revenue to remain stable and EBITDA to slightly decrease compared to the first half. This is mainly due to the Saudi suspensions of the three jack-ups, as well as the maintenance activity already planned for the second half of this year, partially offset by the positive contribution to the top line of Perro Negro 13 and Scarabeo 9.

Let's go through the Energy Carriers on Page 15. The revenues increased by 7% year-on-year at €2.5 billion. EBITDA in the second quarter of 2024 reflected an extra potential loss on the Thai Oil project, which was balanced by the one-off positive effects from other projects in our portfolio.

As we said before, the division's main goal is to complete the remaining legacy backlog, while we remain very selective when taking on new projects. Completing all legacy and difficult projects is key for improving the division's profitability. I also want to point out that our Sustainable Infrastructure business continues to perform well in terms of growth, profitability, and cash flow generation.

The full income statement for the group is shown at Page 16, and we can highlight some items below the EBITDA. D&A stood at €310 million. This is an increase by €92 million compared to the last

year, mainly driven by the higher leases paid on the vessels that we added to our fleet on a capital light basis.

For the full year 2024, we expect D&A in the range of €710 - €720 million, and as such, €400 - €410 million for the second half of 2024. The increase from the level of the first half mainly reflects the growth of the fleet on a chartered basis.

Financial expenses stood at €73 million, decreasing slightly by €14 million compared to last year, mainly due to the lower hedging costs, while financing costs, including net interest expenses and leases, were stable compared to last year.

For the full year 2024, we have budgeted a level of financial expenses in the range of €190 - €195 million. As such, approximately €120 million are expected for the second half of 2024. While the financial expenses will largely depend on the hedging cost on certain currencies, our budget on financial expenses might actually prove to be conservative at the end of the year. The results from equity investments was stable year-on-year, while income taxes decreased slightly by €4 million compared to the last year to €74 million, implying a tax rate of 39%. Finally, the net result was positive for €118 million, increasing by €78 million from the level reported in the first half of 2023.

Let's now have a look at the net debt evolution. The company remained very focused on generating cash flow with a goal of reducing our debt and supporting dividend payments to shareholders. The cash flow we generated in the first half of this year improved our net financial position by €178 million on a pre-IFRS basis, this is from a net cash of €216 million to €394 million,

and by €113 million on a post-IFRS basis, this is from a net debt post-IFRS of €261 million to a net debt of €148 million. We achieved these results by generating €455 million of operating cash flow and €271 million of free cash flow.

In the second quarter alone, we recorded a net cash flow of €110 million. This is an increase from the €68 million that we had in the first quarter of this year. In the second half of the year, we expect a net increase in lease liabilities of about €80 million, considering that the fleet is expanding on a charter basis and that the JSD 6000 has officially entered the fleet in the third quarter of this year.

On Page 18, you can see the breakdown of our net financial position. As you can see, we hold a comfortable level of liquidity on our balance sheet, which was €3.1 billion at the end of June, including €470 million of unused RCF and almost €1.3 billion of available cash. Available cash grew by more than €200 million in the second quarter of this year.

Our current level of available liquidity fully covers our gross debt maturities up to the full year 2028. Lowering gross debt and extending maturity remain a key priority for Saipem, with the aim of further de-risking the company and facilitating future credit rating upgrades.

Moving to Page 19, I would like to give you an overview of the liability management exercise we did in May. During the month of May, we took advantage of the favorable market conditions to issue a 6-year bond for €500 million. At the same time, we bought back part of the 2025 and 2026 bonds for a total of approximately €360 million.

The liability management exercise was very successful, and it allowed us to reduce materially our short-term maturities to increase the average tenure of our debt by more than 1 year. The tender offer also allowed us to book €3 million of capital gains as the bonds were repurchased below par.

As already mentioned, our available cash position currently covers our debt maturities up to the full year 2028. We obviously remain active in looking for opportunities to further optimize our capital structure.

I will now hand over to Sandro for his closing remarks.

ALESSANDRO PULITI: Thank you, Paolo. Let's put our second quarter in the context of the results achieved in the last 2 years. The consolidation of Saipem's performance continues at a steady pace. We are achieving steady revenue growth and increasing profitability, as our activity shifts in favor of offshore E&C projects. In addition, profitable growth is turning into strong cash flow generation. In the last four quarters, we converted more than 80% of our EBITDA in operating cash flow, a material improvement compared to the last few years.

I will now wrap up before starting the Q&A session. The entire organization is fully focused on cash flow generation and debt reduction. The recent order intake is materially de-risked and is progressively shifting toward offshore activities and integrated projects.

We are making steady progress in executing legacy projects. And we are on track to meet our 2024 guidance and we are very positive

on our medium-term targets considering the visibility granted by our current backlog and our strong commercial pipeline.

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

Q&A

OPERATOR: Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on the touchtone telephone. To remove your question, please press "*" and "2." Please pick up the receiver when asking questions. Once again, that's "*" and "1" for questions.

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

ALESSANDRO POZZI: Good morning. Thank you for taking my questions. The first one is on the order intake. Clearly, it was very strong in the first half of the year. If we look at the full year, can we multiply by two or should we be more conservative given the big order that you won in the second quarter? And maybe that's an opportunity to talk about your commercial pipeline. From what we see, a lot of opportunities up for grabs in Middle East, Qatar and the Emirates and Saudi Arabia as well.

The second question is on the fleet utilizations full capacity, as you mentioned. As we look at 2026, it is about 60%. In order to get to more than 70%, what sort of profitability you have in mind to

achieve on the next acquisitions to get the...above the 70-75% that you mentioned?

And maybe just an update on the Clean Fuel Project in Thailand and how the profits...the margin profitability of the project basically is going? Thank you very much.

ALESSANDRO PULITI: Okay. Thank you. I hope to recall all the questions. So, the first one on order intake, conservative versus aggressive. [...] Certainly, the market is positive but you never know whether you will win a tender or you will not win a tender. So I will stay in a normal approach. This is what...this is my suggestion. I tend to be always prudent in a way or in another. Nevertheless, it's true that the market is strong. And that's a fact. Opportunities are there and we are actively participating. Whether we will win bids or not, this is depending on us but also depending on competition.

Fleet utilization, 70% what can we do to achieve 70% more in 2026 onward. Now, you saw the slide, 70% has to be understood as really in a commercial way almost 100%. Why? Because the vessel cannot be utilized normally more than 70% of the time in a year because then we have always to take some contingencies because we cannot run projects really back-to-back without any float between one project and the others. So, the 70% is...70%, 75% is considered a sort of optimal utilization of the vessel fleet. So, when we are at that level, we are really fully satisfied. So, this is just to clarify the slide meaning.

In 2026 we are not yet there, but we are confident we will be there in the next 6 to 12 months, because as I said before market opportunities are there. Market for offshore vessel is pretty tight,

so I do not see reason why we should not be able to come in the next 12...from 6 to 12 months to a full booking of the fleet also in 2026.

As I explained during the call, for example, FDS is already fully booked for 2026, and is also almost fully booked even for 2027 and 2028. So, we do expect almost in the next from 6, 12 months to come to the same on the other vessel of the fleet. Thai Oil...Thai Oil project...

ALESSANDRO POZZI: On the question of the utilizations, my question was, you are probably going to be very selective on the type of projects that you will acquire to get to 70% plus. What sort of profitability you can afford basically to achieve to get to that level on new projects?

ALESSANDRO PULITI: I will let Paolo to be more detailed.

PAOLO CALCAGNINI: As we said a few times, I mean, the target margins for SURF activity are in the high double-digit area and therefore the conventional activity they are in the say mid-double-digit area. Obviously, I mean, when the schedule of our vessels become so tight, is also a matter of finding the job that fits into the schedules, not only taking the best rate. I mean if you have tight schedule and then you have to send your vessel from East Asia to South America is probably not the best option rather than working close to the previous project. So, it's a mix of these two factors. When the schedule is very tight, you keep up those projects that are limiting the idleness of the vessels moving around the world rather than picking the best, best price just for the sake of making 0.5 additional margin, but the targets remain what I said before: high-

double-digit for SURF activity and mid-double-digit for conventional.

ALESSANDRO PULITI: Okay. So, we move to the Thai Oil. Yes, in this quarter as Paolo explained, we've taken further provision that covers what we currently believe are expected extra cost on the project. We are doing this in full alignment with our coventurer in the project, and we are also...we have also opened the table with the client to get a relief for the extra cost we are incurring. This is the status of Thai Oil project.

ALESSANDRO POZZI: Thank you.

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

GUILHERME LEVY: Hi, good morning. Thank you for taking my questions. The first one on Mozambique LNG. I understand that the present guidance provided in the beginning of the year between €12.7 billion and €13.3 billion, it included the restart of Mozambique LNG from the middle of this year, and from previous conversations, I understand that was almost €0.5 billion. So, I was just wondering if the project has not restarted so far, what has given the company confidence to not change the guidance. Is it an anticipation of other onshore projects that were maybe expected to be done later on or is it just related to the strength in the offshore business?

And then on the second question, just thinking about new vessels that the company could potentially lease. If you could just say a few words on your ability to get new vessels in the market at the moment. And also looking at the ideal duration of your leases. You

have a slide there that you are showing an increase. Is there a target that you would like to have in terms of duration? Thank you.

ALESSANDRO PULITI: You recall correctly. We expect revenues of around €500 million in [...] project in the second half. What I would like to clarify the doubt of that for €500 million, €400 million were related to the suspension contract that are still ongoing and is still ahead and it will go ahead until the project will be restarted, and only €100 million were related to the actual project to be restarted. So basically, the effect of the actual restart date in the second half of the year is not material in our revenues and the EBITDA generated by the project. So really, we do not need to compensate with other projects the expected EBITDA. So, you may say that we were pretty prudent while booking Mozambique in our accounts.

Vessel lease; Vessel lease which is the ideal but in the current...very difficult to say what it is ideal. I will tell you what it is JSD 6000 that the vessel that has just entered last week in our fleet. This is leased on a 5-years firm period plus 2-years options at our choice. So, you can immediately imagine, which is the life span we see ahead of us for the utilization of this...for this vessel. But, you know, this vessel is pretty peculiar because it is a multiple purpose, you can do J-lay, S-lay pipelines and it has also a 5,000 tons lifting capacity. So this is really multiple purpose. Maybe other kind of vessels more specialized we may look for shorter period of lease, and that's...but this is evaluate case, case-by-case. We are looking for what, I can say now that, we are looking also for another vessel more specialized to be leased, but I cannot disclose more at this stage.

GUILHERME LEVY: Understood, thank you.

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

MASSIMO BONISOLI: Good morning and thank you for the presentation. I have two questions. One regarding the implied step-up in margin in the second half implied in your guidance. It should move from the 9% to about 11% to match your guidance. So, if you can give us some color on a divisional basis? You already highlighted some development for the second half but just to understand if it's mainly coming from Offshore or let's say also Onshore will help to increase that margin level?

And the second question on the slide on Page 6, you give us some color on the de-risked portion of the new contract, and what about the lump sum portion? I imagine you have better contingencies there versus the previous year contracts. So, what about the contingencies you have there and difference versus the former period? Thank you.

ALESSANDRO PULITI: [...] You pointed rightly in the second half we do expect margin rise [...] clearly to our Offshore division. As you recall beginning of the year, we had some difficulties at the very beginning of the year with the project of Scarborough with Castorone. Now, the project is going ahead nicely. We completed almost 65% of the line. And so, we do expect a better contribution also for more fleet utilization in the second part of the year rather than in the first part of the year, you know, that this business is always characterized by a certain seasonality other than the problem I highlighted before. So, second half certainly we will see a greater contribution of the Offshore, and also some let's say extra provision for example than the one that I was mentioning before on Thai Oil

that affected Q2 of our ENCAR, hopefully will not be replicated. So we should see also some improvement also on the ENCAR business. So if you combine the two this is what is giving us the possibility to grow in the second half.

Regarding the lump sum and contingencies in the de-risking, you know, we already did a very...a huge effort in moving from a mere 6% of de-risked portion on our EPC lump sum let's say the one that we are delivering and coming from the period from 2018-2021. We now in the new awards are standing at 36%, and this is also a very big move because the reimbursable portion and re-measurable portion they are really pointing the portion of lump sum that are more risky. So, it's not linear the percentage, the percentage really is affecting the most risky part of the project.

Nevertheless, it's not that the lump sum portion is not getting the right attention. As I said before part of this portion are cost and risk that are directly under our control. So there is a de-risking on its own. I mean engineering activity, when it comes to activity, that we've done directly with our fleet. Those are risks that are fully under control. Then there is a remain part of risk that our activity does by our sub-contractors and that's rightly you said and we can cover that only by having the right level of contingency in our activity. So that's the third party, goods and services, that represents a residual risk that we cover with contingencies.

MASSIMO BONISOLI: Thank you, very much.

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

DANIEL THOMPSON: Hi, good morning. Yes, so I just wanted to follow up from a comment you made last quarter on the remaining legacy backlog. I think it was €1.4 billion last quarter. Could you let us know what the updated number is now?

And then just following up on the de-risked model versus traditionally a more fully lump sum risk model. Is there any margin sacrifice under this new model? I mean, obviously through cycle I think this is probably due to a better outcome. But under normal market conditions can you put any numbers around the margin differential on an average project under a full EPC risked approach versus an increased reimbursable portion? Thank you.

ALESSANDRO PULITI: Okay. So the first one will reply Paolo, and the second one I will do myself.

PAOLO CALCAGNINI: Yes, so the €1.4 billion. [...] Say €950 million as a remaining value of the contracts that were underlying the profit warning. So it's down an additional €0.5 billion compared to the last data point that we shared.

ALESSANDRO PULITI: Okay. So regarding [...] is imposing a margin sacrifice. I would say no, in principle no, there is no margin sacrifice. And I would like to recall you also that anyway the risk that were associated in the past to cost escalation and to let's say also not re-measurable quantities, there were order of magnitudes that were greater than the margin we could do in the project. So now for us it's definitely much more important to control the risk so then we can...by controlling the risk we're sure we can make margins, because before unfortunately not having the possibility to control the risk was very quickly eroding any margin we projected when the project

was awarded. So I believe that this is de-risking of the margins. This is what we can really say about the strategy.

DANIEL THOMPSON: Okay. Thank you.

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

KEVIN ROGER: Yes, good morning. I have one follow-up please on Thai Oil. Is there any possibility for you please to give us the provision that you have taken on this project, and basically the scope of work, the duration and etcetera that remains to be done on this Thai Oil project? And if I'm not mistaken in the comments you say that you have off-setted this provision by exceptional on some of your projects. Also, if you can give us a bit of color on those one please?

PAOLO CALCAGNINI: Okay. Thanks, Kevin for the questions. Unfortunately, we cannot share the numbers on single projects especially when we are in JV with other partners. I mean, those are numbers protected by confidentiality agreements. I mean the provisions we made as Alessandro said before are material and they are what's our best estimate of the losses through the entire life of the project. So, it's the amount of money necessary to get the project done. This is what we can share on Thai Oil.

And, then, yes, I said one-off [...] when you get close to completion, you can free-up contingencies and margins. And there is a number of projects in the Middle East that went very close to the completion. And therefore, they gave us a positive contribution in terms of [...] we use is projects getting close to the end, and therefore releasing the contingencies and turn into margin in the

divisional P&L. And, obviously then there is a number of other projects that are producing positive margins, especially those that were acquired in the last 2 years. And as they are kicking in, in terms of revenues and margins they obviously push up the margin for the division compensating the write-off that we made on Thai.

KEVIN ROGER: Okay, understood. Thanks.

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

KATE O'SULLIVAN: Hi, thanks for taking my questions. Just a follow-up there again on the Energy Carriers, you know, we saw 0% EBITDA this quarter down from last quarter, and you've provided some helpful comments that it was harbored by the Thai project, but I know you don't guide on a segment basis, but how are you expecting overall Energy Carriers potentially to trend in the second half margin wise?

Secondly, I just guess on offshore capacity, one of your competitors purchased an offshore vessel this month, as they determined the price was competitive versus multi-year charter rates. I know you've been quite clear, you're operating a leasing model and looking for more vessels to lease, but interested to hear your view on opportunistic M&A like this. Thank you.

PAOLO CALCAGNINI: Yes, I'll take the first question. The margins on onshore, as we said a few times, I mean, our Business Plan target is to get to a mid-single-digit margin for the E&C Onshore division with a path that was kind of, say, if not linear, very smooth. So, moving from close to zero to the 5% over the next 3 to 4 years. And, this is what we can share. So, we were projecting a positive margin this year as a first step towards the, let's say, 4% or 5% margin medium-term. It

could be from one quarter to the other a bit bumpy because, I mean, it depends on where we make revenues and what projects contribute the most or the least. So, for the rest of 2024, we expect a positive margin for the Energy Carriers division, as we were originally planning.

ALESSANDRO PULITI: Okay. Regarding instead fleet strategy, I would like to confirm that at Saipem we will stay with our asset light strategy. That means that we will, let's say, offer to match the demand in the market primarily with our own fleet, and secondary to match the peak of the market with, let's say, leased vessel, this is what we did. We did for both our main offshore activities, I would say, both Drilling and E&C fleet. And that's where we see us going...really going ahead finding and having, as we do have today, the right balance between owned and lease fleet, you know, the lease fleet give us the ability to catch the peak of the market without having the burden of a new vessel that then has to take the job for very long period. This gives us the ability to match the really, really the market in the best way. And I believe it's pretty successful because our vessels are really appreciated by the market, even the new coming as leased vessel, they are a very, or they have already a pretty interesting backlog being built around. So, the market in a way or in another is proving the strategy as a rationale.

KATE O'SULLIVAN: Thank you.

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

VICTORIA McCULLOCH: [...] Could you provide some guidance for when you expect the first drilling to happen?

And then on Mozambique, obviously there's been some headlines this week about a higher cost estimate. Could you give us an update because you've been clear that you are, you know, in negotiations with Total on this, and what we can expect on the higher cost estimate and what you're expecting margin wise, you know, in terms of where you expect to change in margin based on the enlarged work scope? Thanks very much.

ALESSANDRO PULITI: Sorry, [...] problems we couldn't hear properly.

VICTORIA McCULLOCH: Sorry, can you hear better now?

ALESSANDRO PULITI: Yes.

VICTORIA McCULLOCH: Great. Sorry, I'll repeat my questions. Thanks very much. So, on Courseulles if you could try to give us a guide on when first drilling is supposed to happen, maybe?

And then on Mozambique, there's been public information this week that the budget on this project has increased the higher cost. Could you give us an update on the negotiations with Total and your expectations in terms of margin profile versus the initial tender? Thanks very much.

ALESSANDRO PULITI: Okay. On the drilling on Courseulles, the first drilling, we expect it in the next...to occur in the next weeks, because as I said before, we are currently on the testing location. Today we are...we started to test actually the drilling machine in the water. So that's the plan is matter of next week's now in the coming weeks. The time to complete the testing and then move into the first location.

Regarding Mozambique, we really do not have any negotiation ongoing. Things are very...have been already set up in the previous quarters, so there is already a plan, I would say there is a plan ready to action that when the JV...the Mozambique JV, they decide to go ahead, everything is already set up, there is no impact on margins. And as I said in many situations, until we come to the actual start-up, we are working on a reimbursable basis on all the preparation activities that are helping us to keep the project in a sort of hot standby.

VICTORIA McCULLOCH: If I can just ask a follow-up on that, are you happy that, that margin is competitive amongst the other work that you're seeing in the market to make a tender on?

ALESSANDRO PULITI: The margin is in line with the other similar projects we are getting in the market.

VICTORIA McCULLOCH: Thank you very much.

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

RICHARD DAWSON: Hi, good morning and thank you for taking my questions. My first one is just a follow-up on a previous question on the revenue guidance. So just looking at sales this year and for the first half of this year, and then expected backlog execution across the second half, we're already around the sort of midpoint of guidance. And I appreciate vessel utilization is already very high, but my question is, is potentially your guidance conservative and is there any scope to increase that going forward?

And then second question, one of your competitors in the onshore engineering space recently flagged a shortage of engineers as a key risk. Are you seeing any issues with this when you look at sort of availability for workers and particularly just given 60% of the new awards in this quarter was done in the onshore space? Thank you.

ALESSANDRO PULITI: So we've currently not revised the guidance as 2024 backlog is estimated on the basis of the expected work that is planning. And I would like [...] and that has been a lot since then. So, that's the...that's really the situation. So, we see as I said before, a good second half coming from Offshore and [...] on our guidance.

Availability of workers and human resources, generally speaking, for our onshore activity. Clearly, you know, those activities are very much dependent on geography, so we cannot state, we cannot have a general statement. If I would say regarding our availability of engineers in the quarter and in our engineering centers, I would say we are okay. I'd say also that compared to the last 5 years, I will say that this kind of an industry has returned to be attractive for new graduates and this is good news. So we don't have difficulties in attracting new talent to the industry.

Regarding, instead blue collars is very much geography-dependent and it is true that there is a certain tightness in the Middle East, there are so many projects going on for the construction. That's the situation, but I don't see any criticalities that could impair our ability to progress the projects we are doing.

RICHARD DAWSON: Thank you for the color. Thank you.

OPERATOR: The next question is from Jamie Franklin of Jefferies. Please go ahead.

JAMIE FRANKLIN: Hi there. Thanks for taking my question. So just one from me on Offshore Wind. Thanks a lot for the clarity on the Courseulles Offshore Wind project. I was just wondering if you could talk about where you currently stand on new projects in offshore wind. Are you looking at anything at the moment? Does your heading pipeline include any projects in offshore wind and maybe over what timeframe you might be considering entering and send new offshore wind projects? Thanks.

ALESSANDRO PULITI: Okay. So on the Offshore Wind, as you know, we are always looking at this market. This market is very promising in terms of volume in the next years. So it's a market that we do...to which we give attention. Unfortunately, in the very moment now there are not many bidding going around. Clearly, we should well understand that the industry is coming from a period in which the price clients were willing to pay was much lower than the actual cost. Now, clients are in the...let's say, in the process to review their budgets to align their cost expectation to the actual cost. And also regulators are doing the same. We know that in the last bid for capacity the offered prices were much higher than in the past, just to cover the extra cost.

So we may not see something coming in the next months, but I'd say that starting from 2025 and then 2026 picking up again the offer for tendering in this segment and we will be certainly very active and very keen to participate. In the meantime, we are developing our concept for the floating offshore wind that is maybe few years ahead than the opportunity of fixed wind, but this will come as well

because without floating offshore wind there is no way governments can match, especially in Europe, they can match their ambition to cover the expectation of new power being generated by renewables. So, market very interesting. We developed all sorts of technology to serve this market in terms to ability to make foundation for fixed wind. We are preparing for the floating. And we just wait clients to launch tenders to apply for them.

JAMIE FRANKLIN: Great. Thank you, very much.

OPERATOR: The next question is from Christopher Kuplent from Bank of America. Please go ahead.

CHRISTOPHER KUPLENT: Thank you very much. Just one more from me, please. I appreciate you've given us quite a bit of new guidance on things like financial expenses, depreciation. You've just commented on revenue as well. Would you mind completing the list and maybe comment a little bit about where you see CAPEX and cash flows for the full year? Thank you, very much.

PAOLO CALCAGNINI: Well, as long as the cash flows are concerned, we confirm that our target is to make a €300 million of cash flow, which is the guidance we shared a few months back. If you run some simple numbers, we are a bit ahead of the target, because the cash flow that we made in the first 6 months is a bit higher than the 50% that would have been dividing by two the targets for the entire 2024. So we are confident that the €300 million is...we're on track to make it. And that would be a big, large improvement compared to 2023.

Then your second question was on the CAPEX. Well, the CAPEX will be in the range of around €460 million...€450-460 million, which is

in line with what we shared in our guidance. And we made about €200 million in the first half of this year. So you can expect €250-260 million in the next 6 months.

CHRISTOPHER KUPLENT: Thank you, very much. I appreciate that.

OPERATOR: Once again, if you wish to ask a question, please press "*" and "1" on your telephone. For any further questions, please press "*" and "1" on your telephone. Alessandro Puliti, there are no more questions registered at this time.

ALESSANDRO PULITI: Okay. Thank you for participating to the first half 2024 results call, and see you next quarter.

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