



Saipem S.p.A.

"Nine Months 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 Nine Months 2024 Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mr. Alessandro Puliti, CEO of Saipem. Please go ahead, sir.

ALESSANDRO PULITI

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

Let's start with the key highlights. I'm pleased to report in the third quarter of 2024, Saipem recorded an acceleration on all key metrics. In Q3 we posted the highest quarterly order intake since Q2 2019. The highest quarterly revenue ever and the highest quarterly reported EBITDA since Q4 2015.

Revenue stood at €3.7 billion, growing by 23% year-on-year and 10% quarter-on-quarter, supported by the performance of our E&C activity. EBITDA stood at €340 million, growing by 48% year-on-year and 14% quarter-on-quarter, again supported by the E&C businesses. EBITDA margin stood at 9.2% an improvement of 40 basis point compared to the previous quarter, supported by both our E&C business as well as Drilling Offshore. We generated €115 million of net cash flow, exceeding the cash flow generation of each of the two previous quarters. Net debt has decreased both on a pre and post-IFRS basis, notwithstanding a net increase in lease liabilities of €91 million.

The order intake in the third quarter was very strong, at €6.4 billion, corresponding to a book-to-bill of 1.7 times. The vast majority of the order intake related to Offshore E&C. Our backlog currently stand at an all-time high level of €33 billion. Considering the strong quarterly results and increased visibility, we now... we have now on the rest of the year, we have upgraded our guidance for 2024. I will cover this aspect more in detail in the closing remarks.

Let's now go through the key awards of the quarter. The bulk of the order intake relates to upstream Offshore E&C projects in Saudi Arabia and in Qatar, two core markets for Saipem. The main factors that allowed us to secure these sizable awards are, first, Saipem's strong track record in the Middle East. Second, our critical mass in terms of E&C fleet already operating in the Gulf. Third, the know-how in the realization of sour hydrocarbon production facilities. Fourth, our yard in Saudi Arabia, which allow us to operate under the Saudi-made label.

The strong Offshore E&C order intake record post-summer contributes to further increasing the visibility on the level of utilization of our construction vessels, which now extends well into 2027 and 2028. It is important to highlight that, currently, our activity in the Middle East is mainly related to maintenance and optimization of existing offshore oil and gas fields. As we said many times, maintaining an adequate level of production from existing fields requires a significant level of Capex to counter the natural depletion. As such, this type of projects represents a sizable and growing market for us.

Let's now take a step back and look at the key themes around our order intake this year. We are talking about more than €13 billion of awards in the first nine months. We are getting close to the record level of €18 billion achieved in 2023.

There are 3 key features in our order intake this year. First, in line with our strategy, the order intake is mainly related to Offshore E&C projects and integrated projects, whilst we remain extremely selective in taking new standalone orders Onshore. Second, the geographical footprint of our order intake is very diversified. On one hand,

we are consolidating our strong presence in the Middle East and West Africa, and on the other hand, we are expanding also in Latin America. Third, the main awards so far are all related to upstream projects and more than half of them related to the optimization and maintenance of existing oil and gas fields, whilst the remaining 40% relates to production capacity expansion.

We are currently working on the largest backlog ever for Saipem, and more than 60% of our projects are in the Offshore E&C. The execution of the current backlog will keep us busy for several years. In fact, out of the €33 billion total backlog, almost €13 billion is expected to be executed in 2025 and close to €10 billion in 2026. And this gives us a substantial level of coverage of our expanded top line...expected top line for the next two years.

Our organization is running at full capacity. Our engineers will be very busy working on the current backlog for the next two years. Our main fabrication yards in Saudi Arabia, Angola, and Indonesia are currently running at more than 80% of their capacity. Our E&C fleet is fully booked until the end of 2026 and is getting pretty busy for 2027 and 2028. For example, the offshore campaign for the EPC-3 project we won in Qatar is expected to expand...to extend well into 2028. We are currently in the process of hiring more engineers and we are also expanding our fleet on a chartered basis. As you know, the JSD 6000 vessel that has entered the fleet in July is already fully booked until the end of 2026, and she has good visibility for the subsequent years. We are also looking to charter an additional core E&C vessel that should enter into the fleet early next year.

We have seen a volatile oil price environment post-summer with investors trying to make sense of the impact of a weaker oil price on E&P investments level. The complicated geopolitical macro scenario is also not helping. Nevertheless, we still see sizable demand from clients. The pipeline has kept on growing in the last three years, as well as, in the last few quarters, and I believe that it is to a certain extent not correlated to oil price for the following reasons.

First, about half of our commercial pipeline is related to upstream gas projects. Second, about a quarter is related to the energy transition and to other downstream activities. Third, only less than 30% is related to upstream oil projects, a segment that has suffered massive under-spending in the period between 2015 to 2022. When I look at the composition of upstream oil and gas projects, I see that 40% of them relates to optimization and maintenance of existing fields. These projects normally carry better payout times and economics for clients, compared to the new field developments and for this reason they are intrinsically more resilient to volatile oil price.

Oil and gas fields typically deplete a significant rate each year, and as such there is a substantial need for investments to offset the consequent production decline. Therefore, even in the most aggressive energy transition scenario, there will be still a massive need for investments in barrel of oil in the next decades.

Let me now give you an update on Courseulles. I'm pleased to report that the drilling machine has been tested successfully in August and after an extensive commissioning phase during September/October is now drilling the first socket.

The first casing was successfully run and now only a few meters remain to reach the target depth. Several debugging actions were required to get there, leveraging on Saipem's extensive experience in drilling and offshore projects. We have a total of 64 sockets to drill and an equivalent amount of monopiles to install, so there is still quite a lot of ground to cover. The Saipem 7000 vessel is currently preparing the mobilization for the installation of the first monopile. We plan to keep you updated on a quarterly basis on the progress on Courseulles.

Moving to another key project, I'm pleased to report that our pipeline vessel Castorone has completed the installation of the 430 kilometers trunkline that connects the Scarborough offshore natural gas field with the Pluto LNG onshore facility. This is amongst the five longest offshore pipelines ever laid by Saipem, and this was achieved in one of the most complicated seabed bathymetries, sharply dropping from very

shallow water to a water depth of around 1,400 meters. As the world transitions towards net zero, natural gas play a key role in supporting countries that still lack access to affordable and reliable energy, or they have a heavy reliance on coal to meet their energy needs. In this sense, we are proud having served the Scarborough project with Castorone.

And let's now spend a few words on Drilling Offshore. A key theme so far has been the impact of Saudi Aramco's temporary suspension on our jack-up fleet. I'm pleased to report that we have mitigated to a large extent the impact of these suspensions, and we have now done so mostly thanks to our capital light asset vessel strategy.

For Perro Negro 7, the start of the suspension has been delayed to 2025, and it will coincide with a period of planned maintenance. The leasing of the Perro Negro 9 is expiring by the end of the year, and the jack-up will be returned to its owner. The Perro Negro 10 will be redeployed in the Gulf of Mexico.

On the deep-water side, I am pleased to report that we had two positive developments in the last few months. Aker BP has extended its contract for Scarabeo 8 for an additional 12 months. Therefore, the vessel is now committed until the end of 2026. The day-rate for 2026 represents a substantial premium compared to the current rate. Lastly, I am pleased to announce that we are entering in Namibia with Galp. In fact, Galp has hired the Santorini drillship, taking advantage of a farm-out opportunity from Eni. Namibia represents a new strategic market for Saipem, considering its potential in terms of exploration activity and future production.

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

PAOLO CALCAGNINI

Thank you, Sandro. Good morning, everyone. We'll start from Slide 13 with a financial summary for the first nine months of 2024.

Group revenues grew by 21% year-on-year, and our EBITDA rose by 41%, mainly thanks to our Offshore E&C and Drilling businesses. We also saw an improvement in the EBITDA margin, reaching 8.9%, up from 7.7% last year, due to a more favorable business mix in our Offshore E&C backlog. Our net result was €206 million nearly triple last year's amount.

Operating cash flow reached €731 million, more than 3 times the level in the same period of 2023, with cash flow conversion rising from 30% to 80%, showing the significant progress in delivering the legacy projects.

Let's now go through the different business segments. Starting from the Asset Based Services on Page 14, revenue reached €5.5 billion in the first nine months, a 34% increase from last year. This increase results from progress in traditional and subsea oil and gas projects, offsetting the decrease in Wind Offshore activities. EBITDA was €635 million, up by 54%, with an EBITDA margin of 11.5%, a rise of 150 basis points. Profitability has grown due to a better project mix, especially fewer Wind Offshore projects. For the last quarter of 2024, we anticipate continued growth in both revenues and EBITDA, increasing the EBITDA margin further.

We'll now look at the Drilling Offshore on Page 15. Revenues reached €669 million, reflecting a 25% rise compared to the corresponding period last year, while EBITDA improved by 15% to €258 million. This growth was driven by the start of operations for both the DVD and the Perro Negro 12, an increase in operating days for the Perro Negro 11, and higher day rate for one of our deep-water drillships.

The strong operating performance was partially offset by the downtime for the Scarabeo 9 that underwent maintenance, by the startup cost for the Perro Negro 13,

and by the impact of the temporary suspension in Saudi. For Q4, we expect Drilling Offshore revenue and EBITDA to slightly decline quarter-on-quarter, mainly due to the impact of the Saudi suspensions on Perro Negro 9 and Perro Negro 10, only partially offset by the positive contribution to the top line of Perro Negro 13 and Scarabeo 9.

Now we go to Energy Carriers on Page 16. Revenue increased by 6% year-on-year, reaching €3.9 billion. The EBITDA margin improved this quarter, as the third quarter saw an EBITDA of €14 million, this is a 1% EBITDA margin on revenues.

As we said before, our main goal is to complete the remaining legacy projects, whilst we remain very selective about taking on new onshore projects. We anticipate the next year, recent awards and the expected restart of the Mozambique LNG will lift Energy Carriers profitability, reducing the effect of the older projects.

The complete group income statement is shown on Page 17. We can highlight some of the key items below EBITDA. D&A stood at €488 million, an increased by €152 million compared to last year, mainly driven by the higher leases paid on the vessels that we added to our fleet this year. As already mentioned in the Q2 call, for the full year 2024, we expect the D&A of around €700 million, mainly reflecting the growth of the fleet on a chartered basis.

Financial expenses were €104 million, down by €29 million from previous year. This is mainly due to the lower financing cost, which declined €11 million and more favourable FX differences for €21 million, partially offset by the higher project hedging cost. Income tax is increased by €14 million compared to last year to €131, implying a tax rate of 39%. As previously mentioned, we expect our implied tax rate to normalize towards a 30% level in the years to come. In the end, the net result was positive for €206 million, nearly tripling from last year's figure.

On Page 18, you can see the evolution of our net financial position. The cash flow we generated in the first nine months improved our net financial position by €293 million

on a pre-IFRS basis, from €216 million to €509 million, more than compensating for the €156 million increase in the lease liabilities. We achieved these results by generating €731 million of operating cash flow, or €588 million after repaying leases, and by generating €514 million of free cash flow, or again, €371 million after repaying leases. As you can appreciate from the numbers, the strong focus on cash flows is paying off and allows us to upgrade our guidance for the year. Alessandro will expand more on this topic later. In the third quarter, our net cash flow was €115 million, rising from €110 million in the second quarter and €68 million in the first quarter of 2024.

On Page 19, you can see the breakdown of our net financial position. As you can see, we have a comfortable level of liquidity on our balance sheet, which was more than €3 billion at the end of September. Our current level of available liquidity of €1.3 billion fully covers our gross debt maturities up to the full year 2028. We plan to repay this €275 million outstanding related to the January 2025 bond with the available cash.

Lowering both gross and net debt remain a key priority for Saipem with the aim of further de-risking the company and facilitating future credit rating upgrades, both from S&P and Moody's.

Let me now hand it back to Sandro for some closing remarks.

ALESSANDRO PULITI

Thank you, Paolo. The consolidation of Saipem's performance continues at a steady pace. We are achieving a steady revenue growth and increasing profitability as our activity shifts toward Offshore E&C projects and we make progress on the legacy backlog. Profitable growth is turning into a cash flow...into strong cash flow generation. So far in 2024, we have converted 80% of our EBITDA in operating cash flow, a material improvement compared to the last few years.

Let's now move to the guidance. We are improving our guidance for 2024 to reflect the strong results achieved so far and the visibility we have on the rest of year 2024. We expect to achieve revenue higher than €14 billion, a level which is above the top of the previous guidance range. This is mainly driven by strong evolution in our Offshore E&C activities.

We also expect to achieve an EBITDA higher than €1.3 billion, which exceeds the midpoint of the previous guidance. This is mainly driven by the performance of Offshore E&C, partially offset by the impact of the Saudi suspension on our Drilling Offshore activities. We expect to achieve more than €760 million of operating cash flow post repayments of lease liabilities and we estimated that Capex will be lower than €400 million, as some maintenance activities have been postponed to 2025.

All-in-all, this will lead to a free cash flow generation, which is about 20% higher than our previous guidance. Lastly, we confirm our policy of distributing to shareholders dividends equal to 30% to 40% of free cash flow post leases repayments. Needless to say, we are very satisfied with the progress made so far in 2024.

To wrap up our presentation before going into the Q&A. Our backlog is at all-times high and this provides us with a very good level of visibility on the utilization of our assets for the next few years. We have a very robust commercial pipeline, which is proving to be resilient to oil price volatility, being mostly focused on natural gas and on the optimization of the production of existing hydrocarbon fields. As you have seen from our results and upgrade of our guidance, cash flow generation is accelerating. We also remain focused on reducing leverage.

The next appointment will be February next year, where we will present our 2024 Results and the Updated Strategic Plan. Thank you for your attention and we can now move into the Q&A session.

Questions & Answers

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 the touchtone telephone. To remove yourself from the question queue, please press "*" and "2". Please pick up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time.

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

ALESSANDRO POZZI

Good morning. Thank you for taking my questions. I have two on the guidance.

- It is good to see that you have upgraded revenues to about €14 billion. I was wondering, can you give us probably a bit more color on what made you increase the guidance? Was it just being conservative at the start of the year, or you have seen a material acceleration in Offshore E&C? And also, when you look at the guidance for the full year, clearly there is a big step up in EBITDA in Q4, and I guess it is probably driven by Offshore E&C again. And if you can give us a bit more color on that, because that is going to be quite important to pin down what could be the progression in 2025.
- And when I look at the Offshore backlog, there has been a big increase for 2025 Offshore E&C backlog to, I believe, just over €7 billion. Also, I was wondering if you can give us the split in the Offshore E&C backlog for next year between conventional and subsea work, so that we have an idea of what could be the implied margin there.

Thank you.

ALESSANDRO PULITI

Okay, I will start to the answer, and then I will then ask Paolo to enter into more details. So, at the basis of the upgraded guidance, as we said, clearly there is the acceleration on the E&C Offshore activities that are getting busier and they are constituting, let's say, the backbone of our backlog as we presented. So, that's really the case. This was...this is the result of the activity we did end of 2022 and during the whole 2023, where we accelerated our order intake in the offshore activities, and results are really coming visible, as you can see.

And now, I will leave Paolo to give you more color on the Q4 and the split between...in 2025 between the conventional and SURF in terms of Offshore activity.

PAOLO CALCAGNINI

Ciao, Alessandro. So, starting from the Q4, well, there are two effects in Q4. The first one is the acceleration in revenues, especially in the E&C Offshore. This is...it comes from the backlog that we've been building recently that goes into execution, and so it brings additional revenues to the total. And then it comes to the higher expected EBITDA margin overall. If you run some numbers in the first nine months, we did almost 9% of EBITDA margin. And in order to get to the €1.3 billion EBITDA, the Q4 should be making close to 10%. So, it's a mix of the two things.

Then your other question was if we had been a bit conservative when giving the guidance? Well, we don't think so. I mean, we gathered an EBITDA that could have been between €1.27 billion and €1.33 billion of EBITDA. And by the end of this year, we will get there. And you may argue that the first two quarters have been a bit slower than expected, but we've gone through the explanation a few times. There's been the suspension in Saudi, there's been Thai Oil in Q2, there's been the incident in Q1. And that explains, as we said in the first half presentation, the margins in the first half, the Q4 will be stronger than the previous three.

And then in relation to the split between conventional and non-conventional, at Page 33 of the presentation, there is a backup where you can find the detail of our backlog. Basically breaking down the backlog by conventional, subsea, pipe laying, et cetera. And that's a good proxy of where the revenues will come from in the coming years. Then the relative weight one quarter after the other will depend on the progress we will be making on one project versus the other. And it's a bit early to give you a detail on 2025. You would possibly get it from in February when we will present the Business Plan. But over the next, say, 4 years, that is going to be the split.

ALESSANDRO POZZI

Okay, thank you.

Let me just follow-up on Capex, where you managed to reduce Capex in 2024.

PAOLO CALCAGNINI

Well, it's a mix of different things. There is one, which is obviously the suspension comes with good news when you refer to Capex because it's two rigs less. Rigs come with Capex that we will not be facing, obviously.

And then there is a postponement of certain cyclical maintenance to 2025. And then third, there is a general saving on the maintenance that we have already gone through in the first nine months. And all-in-all is 10% lower than the guidance we gave in February.

ALESSANDRO POZZI

Alright, thank you very much.

OPERATOR

The next question is from Mark Wilson, Jefferies. Please go ahead. We lost connection with the questioner.

The next question is from Kevin Roger, Kepler Cheuvreux. Please go ahead.

KEVIN ROGER

Yes, thanks for taking the time. I would have three questions, if I may.

- The first one, you just said, if I'm not mistaken, that you are expecting to lease a new vessel for the E&C Offshore. And you said that's going to be one of the key vessels. So can you provide us a bit of visibility on what type of vessel is it, pipeline, heavy lifting, subsea development? So some information if possible on this new vessel to enter the fleet.
- And then, sorry for being the bad guy, I will just focus on two projects that could represent some risk again in the next few months. The first one is Mozambique. On the €4.2 billion of work to be executed next year in the Energy Carriers, what's the scope related to Mozambique in the backlog currently? And if you make a worst-case scenario with Mozambique still suspended for the entire year 2025, what will be the financial impact for you in terms of revenue and EBIT, please?
- And the last one on Courseulles, so you provided a lot of detail. Thanks for that. If you can provide now some color on the execution timeline, you say that you expect to complete the project by H1 2025. On the paper, if we can say that, the 64 foundation, how long does it take to drill and install...to drill the hole and install the foundation, basically? What's the scheduled time work that you have on the project, please?

ALESSANDRO PULITI

Okay. So I will answer the first and the last questions. And then the detail...I will give you some details on Mozambique and then Paolo will complete on Mozambique and the second question.

So the vessel we're expecting beginning next year will help us in the activity of laying flexible and umbilicals. So this is the kind of vessel. It's not a pipe layer for rigid like the JSD. So it will complement our fleets, especially in the activity we have in West Africa and Latin America. That's the...and it's taken again with our asset light strategy. So it's on rental basis.

Now Paolo, if you want to give the second question.

PAOLO CALCAGNINI

No. I mean, the expected margins on worst case on Mozambique, I mean, these are numbers we can't share. I mean its numbers on a single project. We don't normally share numbers on projects. What we can share is that we keep working on maintenance activity and on pre-restart activity. And this is agreed with the client. As we said a few times, I mean, it's not a big thing, I mean, in our numbers, I mean, it's not something that can dramatically change neither the revenues or the margins of the Onshore business. In fact, the numbers you're seeing on the 9M results come mostly from a mix of the legacy projects and luckily the new ones that are going as they're expected to go. And Mozambique wouldn't change the picture dramatically if it's delayed by an additional quarter than the margins.

I'm sorry, Kevin, you're the bad guy, and I need to play the bad guy as well. I can't tell you the numbers of a single project. This is something we never do.

KEVIN ROGER

Yes, no, I understand totally.

Just to understand the impact on the top line, in the sense that in the €4.2 billion to be executed, if the project continues to be suspended, how much is the compensation fees or whatever, if you can help us to understand if the project is 100% suspended with just the maintenance, etc., what will be the backlog to be executed?

PAOLO CALCAGNINI

Okay, so the project overall had still more than €3 billion of remaining revenues to completion. So you can do some rough calculations, say that additional 3 years would be needed if the project restarted full steam from January the 1st, you can account for possibly €1 billion of revenues.

KEVIN ROGER

Okay.

ALESSANDRO PULITI

But let me now complete the answer. So we are now working under the scope of work of getting ready to resumption. And this is including also finalization of engineering and remaining orders to be placed. So all this activity is continuously going on, as we said in the previous call. And we are constantly in dialogue with Total Energies during the suspension period, because here the overall scope is to be ready to restart full steam when the client give us the green light. So in this period, where our remuneration comes from these activities that are carried out on a reimbursable basis. Security on-site is constantly improving...constantly improving, and so as soon as the client give us the green lights, we, let's say, we're ready to restart. That's the status of the Mozambique.

And as Paolo described, yes, if there is a substantial delay, even in the next year, there could be some top line in terms of revenues reduction, but where we're making, let's

say, our living will not be...will be not touched because we will continue the activity of preparation and readiness that are going on the background.

Courseulles, as I said before, finally we have almost completed the first socket, and timewise, yes, we need to add some months to the...to my previous estimation, because as I said, it took almost the entire months of September and October to carry out the commissioning and the debugging of the drilling machine. So some more months will be required.

KEVIN ROGER

Okay, very clear. Thanks a lot for those details.

OPERATOR

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

We have lost connection with Mr. Wilson.

The next question is from Daniel Thomson, BNP Paribas. Please go ahead.

DANIEL THOMSON

Hi, good morning and congratulations on the good results. Two questions, please, both on the Offshore, the ABS division.

- Firstly, just a sort of market question. Could you talk about sort of the trajectory of leading-edge pricing in the tenders in the ABS division? Maybe you could sort of separately address Middle East conventional work and, as well as, SURF and subsea work. And I sort of ask that in the context of, you know, we've seen some customers expressing concerns about the lack of competition in subsea supply chains and that some of them are looking to broaden the contractor base by including more non-

Western companies. So I just sort of wonder on the trajectory of pricing there, if we should hit a peak level at all, or if there's still some more to come there?

- Secondly, just on Brazil, you obviously had some good news from the courts there, although there's still some administrative proceedings to come. Just sort of wonder, you know, we've seen reports that there are sort of four major SURF tenders underway with Petrobras. One is very advanced, but do you think you'd, sort of on the timeline, do you expect the proceedings to complete? Do you think you'd be able to sort of bid on three of those four, or maybe just the final two, and does it change any sort of projects that you bid on in the area, not with Petrobras?

Thank you.

ALESSANDRO PULITI

So, okay. Thank you for the question. It's very, very difficult to comment on the trajectories on pricing. What we can say, and what we said, is that the...our fleet is completely fully booked for 2025 and 2026, and these are within contracts that are already closed, so pricing there is defined. What is coming from 2028 and 2027 and 2028 is what it is, let's say, under negotiation with the clients in these days. And, you know, we need to always find the right balance. It's true that the market is tight, and this is proved by the fact that several clients are willing to pay booking fee, because they may not fully ready to take their own final investment decision, but they want to secure the vessel. So, they have a clear feeling that there is a tight market for vessel in 2027-2028.

On the other hand, as on the contractor side, clearly this is nice to know, but we also have to be careful not to be too greedy, because at the end of the day, we cannot impair the economics of our clients expressing too high prices, because at the end of the day, then we may enter into the risk where the client just declined to do the job if it's costing too much and is exceeding his own spending capabilities. So, that's a matter

of finding a balance. Certainly, what it is looking good is the clients are willing to pay booking fee for 2027-2028. And I repeat this is a clear sign that the market is tight.

Regarding Brazil, clearly we welcome the decision of the court. The court decision is yet to become fully effective. So, clearly, but this clearly opened us the possibility to participate again to bidding with Petrobras. As you know, the decision of the court...the previous decision of the court was not affecting our ability to work with international oil companies in Brazil when they are operator of the field. So, this has no impact on the short-term activity we have in Brazil, but clearly opens up further opportunities.

DANIEL THOMSON

Okay. Thank you. That's clear.

OPERATOR

The next question is from Kate Somerville with JP Morgan. Please go ahead.

KATE SOMERVILLE

Hi, good morning. Thank you so much for taking my questions.

- Just one on the guidance. I'm just trying to make sense of some of your changes. So, the margin, even though absolute EBITDA is obviously above where you were before, the margin, it seems quite a lot lower. You did explain that by the Saudi suspension, but we did know that before. So, I wonder if part of that margin decline is actually may be related to the Capex moving into Opex, especially given your lower Capex forecast now.
- And then maybe a follow-on from that. You sort of said that maintenance activity may be moved into 2025. Should we therefore be increasing our 2025 Capex assumptions by that delta?

Thanks.

ALESSANDRO PULITI

Okay, so margin looks lower. And the explanation is I partly agree with you. It's because we lost some margins on reduced drilling activity in Saudi Arabia, and that's a fact. But the other main contributor is the fact that we are progressing very well on our ENCAR activity on legacy projects. So, this is bringing a huge amount of revenues that are on legacy projects, so with very low margin. And that's...so, this is the reason why the overall margin looks lower.

But as Paolo explained before, the fourth quarter...in the fourth quarter, we plan to record almost near 10% margin. And so, this is clearly a sign that our target is not disappeared. It's just moved by a few months to the right. And this is mainly because we are progressing on the backlog of the legacy project. And this is good news on its own, because it means that this backlog will close.

Now, maybe Paolo, you have something to add?

PAOLO CALCAGNINI

Yes, no. On the Capex, the difference between the guidance and the new guidance is around €50 million...€40 million, €50 million less, which is roughly 10%. And part of it will be...part of those Capex will be postponed in 2025.

And the part is just saving from the Capex spending that we've been making so far. And...now, if the difference would have been 5%, we would not be discussing the difference. It's 10%, and it's not a big thing. I mean, it's...and you should also keep in mind how the increase in the lease liabilities, because we call them lease liabilities, and they're in the net debt.

But in fact, they're Capex, because it's all about bringing new capacity into the fleet. And in fact, if you look at the Q3, and there has been a massive increase in lease liabilities because of the...of new vessels, especially the JSD entering into operations this quarter, or last quarter, Q3.

KATE SOMERVILLE

Can I just quickly follow up just on the margin point?

- Would you say that in terms of your Asset Based Services, margins are progressing as you expected before? So, as you just said, you have the mixed effect from the legacy contracts, but actually on the Asset Based Services, it's as expected?

PAOLO CALCAGNINI

Well, on the Asset Based Services, that the...I would say...in the Offshore, I know to put it in broader terms, obviously, the fact that we have the suspensions, it brings some extra costs, and also having to account as cost...as operational costs, rather than Capex, the investments that we've made on the units, and so decreasing the margins.

And the second reason is that in the first six months of this year, the Offshore activity has suffered some margin reductions, what I say one-off effects, mostly coming from the incident in Australia. And...but it was already accounted in the first six months. In fact, as Alessandro said before, in Q4, the EBITDA margin would be already around 10%, not including the one-off that we had to pay for in the first nine months.

KATE SOMERVILLE

Okay, that's really good. Thanks so much.

OPERATOR

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

MARK WILSON

Thank you very much for your patience with me. Here are my questions.

- I'd like to follow-up on that Onshore E&C margin point. You said, Paolo, that Mozambique, in its current state, isn't affecting the margin, and you've made very good progress on legacy projects. So, would we expect, therefore, to see from the 1% margin you've got to, that we're very close to getting a step change towards what has historically been a 3% or 4% margin, even without Mozambique starting up? That would be my first question.

ALESSANDRO PULITI

So, on Onshore margins, we are really striving to achieve what you just said, because this 1% looks little in this quarter, but really, it testifies all the effort we are putting to make this business right, and there is only one way, to close the backlog of the legacy backlog. This is why we are pushing so much, and we did lots of progress, for example, on the Berri and Marjan projects in Saudi Arabia. That is where it's coming, let's say, also the increase of revenues on the Onshore activities you can see in the quarter. So, by doing that, we clear the backlog.

On the other hand, you see this small positive, and clearly this small positive, it's the effect of the new projects that we started acquiring in a very selective manner, starting from 2022. And so, as soon as we clear the backlog, the new projects are entering, we see really a changing slope of the curve of the margins for Onshore activities. So, we are expecting getting better on that.

And, you know, Mozambique is not that affecting the margin, because we are making a margin on the suspension, as well as we will be making margin on the restart. So, on margins, Mozambique doesn't have a big impact. Here, the big impact is to close as quick as we can the backlog on legacy projects.

MARK WILSON

Very good. Thank you.

- And then one more, please, just to go again on Courseulles, you present the slide on it very early, so clearly high profile, you've spoken to it already. And obviously, get that first hole drilled. Could I ask about the contingency you have in that project as we move into '25? And also, if it is important, if there's a backup to the drilling concept you're using there or the equipment?

Thank you.

ALESSANDRO PULITI

I will leave Paolo the question on contingencies, but a backup on the drilling. You know, the drilling is working. So, there is no need of a backup. And we did commission the machine, we did the debugging, we drilled the first part of the first socket, that is the more complicated one. Now, we will sort out to get to the target depth, that is less complicated than running the first casing, because it doesn't require then under-reamer to be utilized. So, we are entering into a situation in which I don't see the reason why we should have a backup for the drilling.

What we are getting organized is instead, since the time will be getting longer, clearly, we are getting organized to secure the vessel of ability around the drilling. This is what we are doing. But the drilling concept is not at stake. This has to be...and I want to be very clear on this point. Normally, when you drill for, let's say, oil and gas, you take a rig, but you do not take another rig as a backup. That's the concept. While we are getting organized for ensuring all the support in vessel of ability, that's true.

Now, Paolo can elaborate.

PAOLO CALCAGNINI

Yes, Mark, the efforts you put to connect to the call would deserve a full question to the provisions, but I'm afraid we can't share the precise number. Now, we were expecting to complete the project in 2025. So, there is still provisions that come from the profit warning on Courseulles, and it's a big number...it's a big number. I can't share the precise number, but it's a big one.

I can give you some indications if you go to our annual report or even the first half results, and you go to the provisions for losses on projects, there is a total number. And keeping in mind that most of the other legacy projects are very well advanced, obviously, the remaining amount, you can say it's entirely Courseulles, but a significant part of it.

MARK WILSON

I appreciate the answers. Very clear. And on the progress, I will work on my phone skills.

Thank you very much.

OPERATOR

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

MASSIMO BONISOLI

Good morning. Thank you for taking my question.

- One regarding Namibia, which is a new important geography for you. Can you already provide Offshores E&C services there, given your current setup and fleet utilization? Or maybe you need a new vessel to exploit that region in the future?
- The second question is just a curiosity on the legacy project. If you can provide the remaining amount outstanding there, and if you haven't already provided during the call?
- The third question, very quick, just a guidance on financial costs for quarter.

Thank you.

ALESSANDRO PULITI

Okay. I will give you an answer on Namibia, and then Paolo will cover the other. So, Namibia, it's a new country that is coming to the exploration and production scene. It's very close to Angola, where we have plenty of operations there. And therefore, it is very interesting for us to start work. Clearly, we start work from the very beginning, so we will serve Galp with the Santorini drilling ship in exploration activity.

So, this brings you directly to the answer of your second part of the question. Clearly, if we are doing exploration in 2024-2025, then fleet for development activity will come inevitably in 2027-2028 at earliest. Therefore, we do not need new vessels to serve there in case we get a development contract. This can be done with our existing vessel in the tail of their utilization in end of 2027-2028. So, this is why it is very important for us strategically to be there and to start to work in Namibia, because at the end of the exploration, from what I understand, is promising. So, sooner or later, a

development project will be sanctioned. And it is extremely deep water. We have all the expertise, skills, vessels to serve a development projects on Namibia waters. Paolo.

PAOLO CALCAGNINI

Yes, on the legacy projects, I mean, the...the remaining backlog is less than €0.5 billion, so €500 million. We are not including possible change orders or extra activities on the project. At the end, it could be a bit higher revenues, as we agree with clients, either extra works or new claims. But if you refer to the total on the backlog, it is roughly €500 million on the total. So, it is a significant decrease in the first nine months of this year.

And for the financial expenses, well, I think that there are two effects that will continue in Q4. One is the decrease in the financial interest expenses on our debt, also because of the liability management we made last year, but also an increase in the lease...in the interest payments coming from the new leases. All-in-all, I think that €50 million, €60 million of financial expenses for the 3 months remaining this year, it is a fair assumption.

MASSIMO BONISOLI

Very clear. Thank you.

OPERATOR

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

GUILHERME LEVY

Hi, good morning. Thank you for taking my questions.

- I was interested on the commentary regarding the fleet utilization over the coming years. It was quite nice to see the company using the wording largely booked. But

I was wondering if you could translate largely booked into numbers for 2027-2028. I think that in the 2Q presentation, we had a 30% figure for 2027. So, just wondering how that changed recently. And how quickly do you think that we could start discussing bookings also into 2029?

- And my second question, if I may, of course, the company is deleveraging quite quickly. And even though we should see an increase of leases as the new vessels coming, the net debt, including leases, is quite close to the ambition of being net debt zero. So, I was wondering if you could perhaps provide us some color in terms of the cash uses once the company gets to that zero net debt figure. We should see dividends kicking next year. But I was just wondering if next year is also the year in which the company gets to the target leverage. What is the plan for the excess cash to be generated?

Thank you.

ALESSANDRO PULITI

Okay. So, I will take your first question and the second will be addressed by Paolo. So, fleet utilization, as we said, we fully booked 2025-2026. If you want more color...numerical color, we can say that we are all-in-all in average 50% booked in 2027-2028. So, that's there. And we do expect in the next few months, so by the first half of 2025, to cover that the remaining 50%. We are working close to awards that are coming that will complement that, clearly that area. And that's very, very interesting.

As I said before, some of those will come from booking fees already paid by client that will turn into effective contracts in that area. That's the reason why I'm confident, because we are getting booking fees that are just waiting final investment decision from the clients to turn into fixed booking for those periods. Paolo.

PAOLO CALCAGNINI

Yes. On the cash generation and possible uses of cash, you're rightly wondering what we would be doing with the cash. And if you remember, we shared in February a dividend policy saying, look, out of the €1.6 billion of cash, we would be paying at least €600 million to the shareholders. There is still a remaining €1 billion of cash. And we said, look, let's deliver on the cash targets. And then we may come with a more precise financial policy, which is precisely what we are discussing in these weeks as we are updating the Business Plan. And your curiosity will be satisfied in a few months because in February we'll likely come up with a financial policy which will go a bit more into the details of what uses we are foreseeing for the cash generation. Let's take the good news. We came up with a dividend policy first time for this company in February. And we are progressing at a very nice pace in terms of cash generation. So we will be in a few months in a position to be more precise on where the €1 billion of cash post-dividends will possibly go.

GUILHERME LEVY

Perfect. Grazie mille.

OPERATOR

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

KATE O'SULLIVAN

Good morning, everybody. Thanks for taking my questions. Just a couple left.

- You previously talked about selling down a stake in the Offshore Drilling business, which was delayed somewhat by the Saudi suspensions. Could you update us on the outlook and timeline for this, considering Saipem's impact has been limited to the three jack-ups announced in April? And does the longer-term margin target assume a sell-down in the high margin Offshore Drilling division?

- Secondly, an accounting question for Paolo, perhaps. Could you help me reconcile the difference and reason for the change in working capital numbers reported on Page 18 of your presentation, so the net debt evolution chart and the one in your IFRS cash flow statement? That would be really helpful.

Thanks very much. Okay.

ALESSANDRO PULITI

Coming to the Offshore Drilling, clearly what we presented is a very good situation for the deep-water fleet. For the jack-ups, yes, we can confirm that with three jack-ups, they were the only ones that have been affected by the request of suspension of the contract. As I said during the call, we were expecting the Perro Negro 7 to be already under suspension, while the client has asked us to extend the working period up to the end of the year, and so we postponed the maintenance period in 2024.

This is very good news, because it's giving us cash flow in 2024 and is postponing the Capex for the due maintenance in 2025. So, it's a double positive effect. For the rest, we confirm Perro Negro 9 will be returned to the owner, so we do not have the liability or keeping the vessel idling there into during 2025. While the Perro Negro 10, as we are almost closing a relocation possibility in the Gulf of Mexico, so that now I would say is most likely will happen. So, and therefore we'll find another, let's say, another client. So, that's the status of the situation as of today.

And now I will leave Paolo.

PAOLO CALCAGNINI

Yes, I'm not a 100% sure of the question on the working capital. So, you're referring to Page 18 of the presentation. Is that correct or...

KATE O'SULLIVAN

Yes, Page 18 of the presentation. You have the change of working capital of negative 37, and as I compare that to just the final page of your cash flow statement positive 124, so I was just looking for the kind of reason and just the reconciliation between change in working capital.

PAOLO CALCAGNINI

Okay. Got it. So, do you mind to take this answer offline after the call and we will give you the details. So, I don't have the...all the statements in front of me.

KATE O'SULLIVAN

Okay. Sure. I'm just following up on my first question.

- I think the question was also around the sale process, which has obviously been delayed, you know, you talked previously about that stake sale in the Offshore Drilling business. Are you seeing kind of renewed activity there, now that you have been limited to those kind of three jack-ups impact?

ALESSANDRO PULITI

Yes, the delays are over. They were regarding the beginning of the operation in the years where it took slightly longer than expected coming out from the 5-year maintenance of Scarabeo 9 and it took also slightly longer than expected to put in service Perro Negro 13 in Saudi Arabia. This is now...those parts are now over.

KATE O'SULLIVAN

Okay, thank you.

OPERATOR

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

RICHARD DAWSON

Hi, good morning and thanks for taking my questions.

- My first question and this might be a bit premature to ask it, but given the upgrade to 2024 guidance, do you expect any changes to the medium-term target after 2027? And/or can we expect update more in February?
- And then the second question is, do you see any bottlenecks in the supply changes given the organizations running it, when you said it's essentially at full capacity? Sounds like you're hiring more engineers for example, but do you have any other issues with the supply chain?

Thank you.

PAOLO CALCAGNINI

Well, as a matter of fact, the demand from the market remains very strong and possibly higher than expected, and you see it from the acquisitions this year, but also from our commercial pipeline. So, we can agree on the fact that the market is possibly still better than the assumptions underlying our medium-term targets. To what extent this environment will be incorporated in the medium-term targets, well I guess we will...it will become clear when we will update the Business Plan in February. And I think that the fact that we updated the guidance, I mean, reflects both commercial and operational and financial performances ahead of our expectations and so we remain very optimistic about the future. To what extent, this is going to be...this is going to go into the medium-term numbers, we'll see it in a few weeks.

ALESSANDRO PULITI

Okay. Regarding your first part of the question and the supply chain? The supply chain is pretty stable, we don't see any major, let's say, problem unless very specific area. Basically there could be some supply related to electrical equipment or valves and this is something that can arise in the future, but for the time being supply chain is stable. It's true that our industry is working hard, but it's also true that other industries around us that are utilizing the same supply chain is not at best. And this is something that has to be taken into account as well. I repeat myself the most tension area in the supply chain we see is in the fleet and vessel utilization. That's where there is the major tension in the broader supply chain, but for the rest we don't see it as a problem that we cannot manage.

RICHARD DAWSON

That's clear. Thank you for the color.

OPERATOR

Ladies and gentlemen, this concludes our Q&A session and our call. Thank you for joining. You may now disconnect.

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