Saipem S.p.A.

"First Half 2026 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 2026 Results. As a reminder, all participants are in listen-only mode, and 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

Thank you and good morning. Thank you for joining the presentation of Saipem first half 2026 results. I'm here in Milan today with our CFO, Paolo Calcagnini, and with the other members of the top management team.

The agenda for this session is the following. I will start with an overview of the key operational and financial highlights of the quarter. Paolo will then deep dive on the financial performance, and I will conclude the presentation with few closing remarks. We will then open the floor to your questions.

Let me begin with the key highlights of the second quarter. Saipem reported revenue of €3.8 billion in Q2, representing a growth of 8% quarter-on-quarter and 3% year-on-year. Despite the conflict in the Gulf, we made strong progress on all our projects, recording €1.2 billion revenue in the Middle East. Whilst project execution was robust, we suffered extra costs of €70 million because of the conflict. This impacted our profitability, especially in Asset-Based Services.

Adjusted EBITDA in the second quarter stood at €402 million representing a margin of 10.5%. Without these extra costs, we would have posted the second highest EBITDA since 2022. We are currently discussing with our clients about these extra costs, and we think we will be able to recover a good portion of them.

Notwithstanding the disruption brought by the conflict, our cash flow conversion keeps on improving. In the second quarter, we generated €189 million of free cash flow, bringing the overall cash generation in the first half close to €400 million, representing around two thirds of our annual guidance.

Our commercial activity has recently accelerated, leading to an order intake of €4.1 billion in Q2 corresponding to a book-to-bill of 1.1 times. We expect our order intake to accelerate even further in the second half, as already demonstrated by the €2.3 billion of awards already announced in the month of July.

Our revenue booking in the second quarter is consistent with the growth profile of the last four years, and it represents the highest level recorded in Q2 ever. Coming to EBITDA in Q2, we booked €402 million, reflecting the extra cost generated by the conflict. If we exclude these extra costs, our EBITDA would have stood at more than €470 million with a margin in line with the previous quarter.

Also, as already mentioned, even considering these extra costs, our operating cash flow remained very robust in Q2, at €449 million, representing the second highest level of quarterly cash flow ever. The strong cash flow generation is a further demonstration of the continuous improvement achieved by Saipem in terms of conversion of EBITDA into cash.

Let's now move to the order intake in Q2, and our expectations for the rest of the year. Our commercial activity accelerated in the second quarter, leading to an overall order intake of €5.7 billion for the first half of the year. Considering the €2.3 billion of awards already signed in the month of July, we already reached a cumulative order intake of around €8 billion, higher than what we achieved in the first nine months of 2025. We can confidently say that for 2026, we are on-track to exceed the order intake achieved in 2025, also in light of the various commercial discussions we are having with clients.

So just to give you a bit more colour, commercial discussions are relatively broad-based and revolve around projects in Latin America, Africa, Middle East, and the Far East.

Let's now look at the recent order intake in Offshore E&C. The most recent award was signed with Eni in the Ivory Coast for the third development phase of Baleine, located in water depths up to 1,300 meters. In addition, Azule Energy has awarded us the Greater PAJ development in Angola, which represents one of the most significant ultra-deepwater project in sub-Saharan Africa at a depth of up to 2,000 meters. The Baleine and the PAJ projects will keep FDS and Shen Da vessels busy in West Africa for 2027 and 2028, and further densify the planned utilization of our fleet.

Despite the ongoing conflict, our clients in the Middle East remain positive and eager to push forward their investment plans, as demonstrated by the two CRPOs awarded to us by Aramco, which we already discussed during the Q1 call. Lastly, we continue to build on our relationship and track record with Exxon in Guyana, and we expect that the limited notice to proceed from Longtail will turn into a full EPC contract later in the year.

Let's now move to the recent awards in onshore engineering and construction. The order intake of the last four months is fully in line with our new strategy for Energy Carriers, both in terms of project type as well as in terms of derisking. In terms of project types, biorefinery in Italy remain one of the most important areas in our energy transition portfolio. We are progressively increasing our exposure to FPSO fast track projects with appropriate contracting models and in particular in Indonesia, where we can rely on our Karimun yard.

We have increased our backlog in the operating and maintenance segment through a multi-year extension from a key client. We won a new gas treatment plant project for Aramco under the national EPC champion program, in partnership with one of the most important and reliable local construction companies. We also started the internationalization of our Sustainable Infrastructures division, with the first project in Romania.

In terms of derisking, each of those contracts and projects is different, but they all share a common approach based on a mix of the following tools: first, early engagement through pre-FEED and FEED activities; second, hybrid contracts with significant portion based on re-measurable, provisional and cost-plus fee mechanism; third, Tier 1 construction and fabrication partners responsible for their own portion; fourth, maximization of utilization of Saipem's yard for fabrication and in the creation of modules; fifth, clients supplied critical items. All in all, approximately half of the aggregate scope of work of this project is de-risked through a mix of contractual scheme and other levers.

Let's now look at the disposal of our shallow water drilling business. In late June, we have entered into a binding agreement with ADES for the divestments of Saudi Arabian Saipem Limited, the company which runs our shallow water drilling activities. The associated fleet is made by five units: three owned jack-ups, the Perro Negro 7, 8, and 10, and two lease jack-ups, the Perro Negro 11 and 13. The transaction value amounts to $285 million, and completion is expected in the third quarter of 2026. The disposal is part of our strategy to focus on deep water and harsh environment offshore drilling operation, and is also a natural continuation of the path, which we started with the sale of the onshore drilling business in 2022.

Let me now turn into the recent commercial activity in the deep-water drilling segment. Last week, we have been awarded an important new contract worth $260 million for the Santorini drillship, which will be deployed in Ivory Coast for a long-term campaign with Eni. Operations will start between the end of 2026 and the beginning of 2027. The contract includes a firm commitment of approximately 18 months with additional option periods. This award further increases the level of utilisation of our deep-water fleet, and improves our revenue visibility for 2027, 2028, and possibly beyond.

To serve this contract, we are bringing forward the SPS of the drill ship to the second half of this year, that was originally planned in the first half of 2027. Based on the visibility we have at the moment, we are confident that our deep-water drilling fleet will be fully booked in 2027, and that the year 2027 will be virtually free of SPS maintenance activity for any deep-water vessel drilling.

Let me now give you an update on our operations in the Middle East. In the first half of the year, we recorded good progress on the execution of our projects in the region, notwithstanding some disruption in offshore operations. Vessel utilisation has been proactively managed to minimize the impact of temporary suspension and later arrival of certain critical deliveries through Hormuz.

At the beginning of July, we completed three inbound crossing through Hormuz for critical deliveries related to the projects in Qatar. All in all, we managed to book Revenue in line with our budget. However, the disruption brought by the conflict generated extra cost of €70 million in the first half of the year.

To give you more granularity, these extra costs relate to: higher rates for barges and tugboats, higher insurance premia, the cost of temporary storage of certain components, the standby cost of certain vessel and project teams, as well as the impact of temporary repatriation of expat family members. We expect to recover a portion of these costs, subject to the outcome of the commercial discussion ongoing with the clients. For the second half of the year, we forecast a similar situation to the one experienced in the first half, with good progress on the delivery of the projects, but with some extra cost of similar magnitude.

Let me now give you a brief update on Courseulles. The execution is progressing steadily, and the drilling activity is proceeding at a very good pace. To date, we have successfully drilled 36 sockets and installed 23 monopiles. This means that, since our update in late April, we have added 12 new sockets and 8 new monopiles. We confirm the completion is expected in 1Q 2027.

Let me now give you an update on our commercial pipeline. As you can see from the numbers, the opportunity set in front of us remains robust and continues to grow. In terms of mix, we see attractive prospects in offshore engineering and construction, both conventional and SURF. At the same time, in the Onshore Engineering and Construction space, we are seeing opportunities in upstream, LNG, FPSO, fertilizer, biorefineries, and sustainable infrastructures. Geographically, our pipeline is concentrated in the Middle East, as well as in Africa, while we also see attractive potential growth in Latin America and in the Far East.

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

PAOLO CALCAGNINI

Thank you, Sandro. Good morning, everyone. I'll begin with slide 15, which provides an overview of Saipem main results for the first half of 2026. Revenue grew by 1.9% year-on-year to €7.3 billion, while Adjusted EBITDA grew by 9.4% to reach €836 million. The Adjusted EBITDA margin continued to improve year-on-year, rising to 11.4%, compared to 10.6% in the first half of the last year.

As mentioned by Sandro, our performance in the first part of the year was affected by extra costs of €70 million due to the conflict in the Middle East. Without these costs, our Adjusted EBITDA margin for the six months would have been equal to 12.3%. Net results stood at €131 million on an adjusted basis, whilst operating cash flows stood at €841 million, in line with last year.

The difference between Adjusted and Reported results reflects a provision booked in Q2 for €35 million in relations to the implementation of an early retirement scheme for Saipem employees in Italy. Approximately two thirds of such costs are associated to the Energy Carriers division. These costs are expected to continue in the second half of the year for approximately €69 million, for a total of €104 million. This initiative will bring substantial savings from 2027, and will help rejuvenating the overall population of Saipem in Italy.

Let me now turn to the performance of the three business lines. And I'll start from Asset Based Services on page 16. Revenue in the first half of 2026 stood at €4.3 billion, representing a 5.3% increase year-on-year. Such performance was mainly driven by strong progress of our projects in Latin America, the Far East, and North Africa, partially offset by the completion of Sakarya II in Türkiye and Buzios 7 in Brazil. The mix between conventional and deep-water activity has remained broadly stable year-on-year.

Adjusted EBITDA stood at €674 million in the first half, an increase of 25% year-on-year, with a margin expansion of 2.5 percentage points versus the same period in 2025. The margin expansion was mainly driven by a better project mix and by a higher utilisation rate of the construction fleet. These strong results also factor in the disruption brought by the conflict, which has generated extra costs for €70 million for the Group, of which 80% associated to the Offshore E&C projects in the Middle East. Without these costs, our Adjusted EBITDA margin would have been 17%.

The growth in Adjusted EBITDA more than offset the increase in the lease component of D&A, driving Adjusted EBIT margin up by 60 basis points year-on-year from 5.4% to 6%. Excluding the costs associated with the conflict, the EBIT margin would have increased to 7.3%.

Anticipating that project execution in the Middle East will remain resilient and broadly in line with the first half of the year, we expect Revenue in the second half of 2026 to grow in the mid- to high-teens compared with the first half. With an approximately 100 basis point expansion in both EBITDA and EBIT margins.

Let me now move to drilling offshore on Page 17. The year-on-year decline in both revenue and EBITDA mainly reflects the reduction in the size of the fleet following the exit of the Pioneer and the Perro Negro 12 jack-ups in the second half of 2025.

Second, the lower activity by the Scarabeo 9, the Saipem 10000, the Perro Negro 8, and the Perro Negro 11, with the last three units undergoing ordinary maintenance in the first half of 2026. Marginally lower day rates for the Saipem 10000, the Santorini, the Scarabeo 9, and the Perro Negro 7. Last, the additional costs related to the termination of the operations of the DVD and the related handover of the drillship to the owner.

This was partially compensated by the higher day rate of the Scarabeo 8, and higher utilization of the Perro Negro 10 and the Saipem 12000.

Assuming the completion of the disposal of the shallow water drilling business at the end of September and taking into account the planned maintenance Capex for the Santorini, which was brought forward from 2027 to 2026, we expect a double-digit decline in Revenue in H2 2026, low-teens EBITDA margin for the second half of 2026, and a break-even EBIT for the entire 2026. For 2027, we don't expect any major maintenance activity for our drilling fleet.

Let's now conclude the review with Energy Carriers on Page 18. Revenue remained broadly stable year-on-year. This was the result of an increased contribution by projects in Italy and in Far East, offset by lower contribution of projects in the Middle East and in Africa. The latter, despite an increase in the revenue due to the restart of the Mozambique LNG project for Total.

Adjusted EBITDA margin rose by 60 basis points year-on-year, mainly because legacy project volumes continued to decrease. As in Asset Based Services, the Energy Carriers business line absorbed 20% of the €70 million of extra costs related to the conflict in the first half of the year. Assuming no major disruptions in the Middle East, we expect high teens growth in Revenue in H2 versus H1 and a broadly stable EBITDA margin.

Let's now take a look at the figures below EBITDA as shown on Page 19. D&A increased by 20% year-on-year. As discussed, several times already, this reflects the growth of the fleet on a chartered basis, as well as the change in accounting treatment for the DVD vessel. In particular, D&A related to leases increased by 50% year-on-year from around €240 million to around €360 million. The overall level of D&A expected for full year 2026 is confirmed at around €1.1 billion.

Financial expenses stood at €66 million in H1, a decline of €28 million year-on-year, reflecting mainly a lower hedging cost on the back of the reduction in the interest rate differential between the Euro and the US dollar, as well as lower volumes of traded derivatives. And then a decline in the net financing cost ex-IFRS 16 as a result of the decline in the gross debt and growth in the cash position will generate a positive yield, partially compensated by the higher interest due to leases and exchange differences. Financial expenses for the full year 2026 are expected to be approximately 15% to 20% lower than in 2025.

Income taxes rose year-on-year by 20%, implying an effective tax rate of 47.5% on a reported basis for H1 2026 compared to 34% a year ago. This is mainly due to two factors: a tax settlement in West Africa, and a different profit mix between the various companies of the group. These two effects are expected to impact H2, and as such, the tax rate is expected to remain stable on a reported basis in the second half of 2026, compared to the first half of 2026.

Let's now focus on the cash flow and net financial position on Page 20. In H1 2026, considering the €330 million dividend paid in May, the pre-IFRS 16 net cash position improved by €79 million, and stood at €1.1 billion at the end of June. This is primarily due to the cash generation totalling €388 million, which was supported by the strong performance of the business, as well as a release of cash flow from working capital as some key projects were completed.

More broadly, the improved cash conversion we have experienced in the last four years is mainly due to the improved quality of the projects and the related contractual terms, as well as the optimization of the working capital management.

Lease liabilities declined by €84 million in the first half, and are expected to continue to decline in the next two quarters as we release some chartered vessels back to the owners and we expect the completion of some specific projects. In fact, we expect lease liabilities to decline to approximately €900 million at the end of 2026. Lease repayments in H1 2026 amounted to €305 million, and we expect lease repayments to be around €650 million to €700 million for the full year 2026.

Now to wrap up, let's quickly look at the Saipem debt and liquidity position at the end of June. Our liquidity position is very solid and stands at €3.5 billion. This is made of €1.3 billion of available cash, €1.6 billion of cash in JVs, and €600 million related to the undrawn RCF. As anticipated last year, we are looking to reduce gross debt by repaying all maturities that fall in 2026.

So far this year, we have in fact already repaid, using available cash, €30 million related to an ECA facility in April, and €241 million worth of EMTN bonds at maturity in mid-July. We also have a clear target to achieve an investment-grade credit rating in the medium term, a target which is well supported by the conversation we're having with the rating agencies.

I'll now hand it back to Sandro for his closing remarks.

Alessandro Puliti

Thank you, Paolo. Let's now go through our updated guidance for 2026. We are now five months into the conflict, and acknowledging that the situation in Hormuz is still unclear, we think it is prudent to update our guidance for 2026. In particular, in terms of Revenue, we confirm the guidance issued in February, also considering the resilient project delivery in H1.

In terms of EBITDA, we are considering the extra costs booked in H1, our estimate for possible extra costs in H2, as well as the impact of the deconsolidation of the shallow water drilling business. We are therefore adjusting our EBITDA guidance from €1.9 billion to €1.75 billion.

We confirm our operating cash flow guidance, thanks to the structural improvement in cash flow conversion. Our free cash flow guidance is also unchanged. For the sake of clarity, this number does not include the extraordinary proceeds we expect to receive from the disposal of the shallow water drilling business.

Let's now wrap up with some closing remarks before we turn to the Q&A session.

In the first half of the year, notwithstanding the Middle East conflict, our project delivery was resilient, and our cash flow conversion continued to improve. We have recently seen a meaningful acceleration in the order intake, and we are on track to comfortably exceed 2025 volumes.

In front of us, we have a growing and well-diversified commercial pipeline. The disposal of the shallow water drilling business will allow us to fully focus on the deep-water activities. We have achieved the full utilization of the construction fleet for the next two years. The prospect of our industry remains strong and are further reinforced by increased need of energy security and diversification.

Thank you for your attention, and we are now happy to take your questions.

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 their 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. We will pause for a moment as participants are joining the queue.

First question is from Alessandro Pozzi, Mediobanca

ALESSANDRO POZZI

Good morning. Thank you for taking my two questions.

- The first one is on the guidance. I think it's quite reassuring to see that you haven't changed the Revenue guidance, meaning that, I guess, the progression of milestone is still as expected. There's no meaningful change there. But EBITDA is coming down. If I look at the second half, that implies maybe extra costs of €80 million, compared to the €70 million in Q2. So I was wondering, can you give us a bit more colour around what are the assumptions for the new guidance for Revenue and especially EBITDA in terms of extra cost? Do you expect the current situation to persist, or is it based on some sort of normalization in the second half? And with regards to the extra costs, how confident or how much of the extra costs do you think you will be reimbursed by the clients, given this is not your fault?

- The second question on the merger with Subsea7. I'm not sure how much you can say, but I was wondering, are you surprised that this is entering Phase 2 now in Europe? Thank you.

ALESSANDRO PULITI

Okay. So in terms of guidance and the cost that possibly we incur in H2. You were mentioning €80 million. If we look at the figures, this is not entirely due to the extra cost that we possibly faced in the conflict, but also includes the missing EBITDA coming from the disposal of the shallow water drilling fleet. So the €80 million is the sum of the two. Our assumption is pretty simply and linear, that we possibly incur in the same level in H2 of extra cost we incurred in H1. So this is the basis for our updated guidance.

Regarding the merger, situation in terms of antitrust authorities all around the world, is that we have to clear sixteen antitrust authorities around the world. We have already received positive clearance from eight antitrust authorities. We are entering in Phase 2 in many situations. So not only in Europe, but also in Australia, as it is well known. And this is perfectly understandable considering the size of the merger and the business. And I will say that this has to be considered normal in these circumstances.

ALESSANDRO POZZI

And with regards to the reimbursement of cost, do you expect…

ALESSANDRO PULITI

Reimbursements, yes.

ALESSANDRO POZZI

- But also, on the second half, I guess, you have six months of potential disruptions. Whereas I think in Q2, probably you had four months of. So the €70 million is probably based on four months. So I was wondering, in terms of assumptions, do you expect more inbounds over the next few weeks and months? Some sort of maybe normalizations in the Gulf?

ALESSANDRO PULITI

Okay. So let's come to the first. Possibility of recovering extra costs from the client is clearly present. We are currently discussing with them. Some of them, they already gave us positive indication. But you know those are variation orders, and they require a bit of a lengthy process. So we may expect to factor in 2027 rather than 2026. This is something that we have to acknowledge.

Again, on the forecast for the H2, I consider the same. It's not a matter of being four months or six months. It's a matter of having to acknowledge that some extra costs will last for a while. Like the extra premium for the vessel, extra costs for local tugboats or local supporting vessels. So this is, let's say, the bulk of the extra costs we envisage.

ALESSANDRO POZZI

- Okay. Just a final one. I think in Q2, you had 30% of the Revenue coming from the region, I believe. Is that a good estimate also for maybe 2027?

ALESSANDRO PULITI

Now, I leave to Paolo on this.

PAOLO CALCAGNINI

Yes, the number for 2027 is very close to 2026. So the region keeps accounting for a significant portion of our backlog.

ALESSANDRO POZZI

Okay. Alright. Thank you very much.

OPERATOR

Next question is from Mark Wilson, Jefferies.

MARK WILSON

Hello and thank you for taking my question.

- Obviously, I've got to ask regarding the Middle East, more on the cost there. But in particular, Alessandro, could you speak to the transits, you've clearly managed to manage some of those transits. You spoke last quarter about between May and July. And you said you've managed to get some. So where do we stand in terms of materially important transits for the rest of the year, and how that relates to those costs?

- Second question for you, Paolo, on working capital. You mentioned you had some projects that had completed. And we did see a positive inflow from working capital. So are there any more of those to expect in the second half, and indeed into 2027, I imagine legacy projects might be part of that. Thank you.

ALESSANDRO PULITI

Okay. So in terms of transits, we managed by the beginning of July to have three very important transits. So we had three inbound important deliveries for projects in Qatar that are allowing to make actual progress in those projects. Specifically in the so-called COMP2 project, where we managed to pass with the large living quarters that had been set on a jacket that was already in place. So that was very important crossing. We managed also to have an outbound crossing for deliveries from the Middle East to the Far East, other critical. So that was, let's say, a good achievement, also recognized by clients. Basically, like many other operators, with a good work of readiness, we managed to cross in the one week window where many other operators managed to have their crossing on Hormuz, prior to the situation becoming, again, let's say, complicated.

For the future, in the year there are planned in the second half 10 inbounds. Some of them are, again, for the COMP2 project in Qatar, that are the deck for the compression for a EPC2 jacket and a jacket for a EPC2 and jackets for a EPC3. So this is why we envisage a situation in the second half that could be similar to the situation of the first half. So with some window in which we can, let's say, cross Hormuz safely. But maybe associated with some waiting time, to wait the right time to cross. Clearly any waiting time is also generating extra rental costs for the vessel. And then the situation is also very much influencing the insurance premia. So that's the reason why we are seeing a second half possibly similar to the first half.

Is this a prudent view? Yes, I believe it is a prudent view. But I believe that considering the circumstances, we must be prudent.

Regarding the rest, I will leave to the floor to Paolo.

Paolo Calcagnini

On the cash generation and working capital. So Mark, I think that there is a trend that we have seen starting from 2023, which is structurally higher cash conversion compared to the past. And the reason being that there is a better mix of contracts and contractual terms. There is also a much more focus on working capital in general. And the efforts are paying off because we gained quite a few percentage points of cash conversion in 2025 already, but then the trend continued in 2026. Now yes, there have been a few projects that contributed to the decrease in the working capital. But more in general, I can share with you a couple of additional insights.

The first one is that, when you look into the commercial liabilities, so payables to suppliers, they didn't increase in H1 2026, and also the advances from clients decreased. And that gives you an indication of the quality of the performance and the reason why I called it a structural trend rather than a short-term movement in the working capital. Also because if it's not the liabilities, it should be the current assets contributing to the cash, which is good news because it tells you a lot about the contractual terms of the new contracts. And as the new contracts kick in, you get the benefits when it comes to the overall working capital.

And if you look at the wider picture in the last year, so from June 2025, the working capital decreased roughly €300 million or €250 million, give or take. And that is mostly because of the trends I just shared. So I think it's a structural thing, and we are enjoying the benefits of the work.

Mark Wilson

Thank you very much. I could follow-up, but I'm sure there's other questions, so I will hand it back. Thank you.

Operator

Next question is from Mick Pickup, Barclays.

Mick Pickup

Good morning, gents. Two questions, if I may.

- Firstly, just on the drilling side, it's been a while since we've missed on drilling estimates, and it's obviously because of maintenance. Can you just run through what you said about the maintenance, and what we're missing into the second half? I know you said 2027 is quite a clear year, but can we just get in the back half of 2026 sorted out, please?

Alessandro Puliti

Okay. Mick, the main event for 2026 is that we went through SPS for Saipem 10000. That will end at the end of July, in a few weeks, and then beginning of August the rig will start working back in the Mediterranean. The new event is that since we signed this contract for Ivory Coast for the Santorini, starting from beginning of 2027, and since the client wanted a clean start, we anticipated, and so we brought forward the SPS that was expected at the beginning of 2027 into 2026. We are now accounting 60 days of SPS in the second half of this year. During this year, we did also maintenance for

Scarabeo 9. So situation is such that next year we will not have any planned SPS for the drilling fleet deep water. That's the situation.

MICK PICKUP

- Okay, thank you. And then on that redundancy cost that popped up in the quarter, obviously €35 million this quarter. I think you said it's €100 million for the year. Can you just talk about when the cash goes out for that?

ALESSANDRO PULITI

I will leave the floor to Paolo.

PAOLO CALCAGNINI

So the cash will be paid when the colleagues will leave the company, so it's going to be partly in 2026 and then 2027 and onwards. We think that this year it's going to be roughly €30 million, the cash out from the redundancy plan. I think we should focus on the benefits in the medium term, because from 2027, we'll experience significant benefits in terms of labour cost and most importantly, we'll significantly reduce the average age of the working population in Italy. So there's only this accounting treatment, because you have to account for all the cost in advance, as always. And then you will see the benefit as the colleagues will leave Saipem end of this year and 2027.

MICK PICKUP

- Okay, what is the rationale for getting rid of your most experienced people?

PAOLO CALCAGNINI

Well, actually, I mean, it's not that we are making the most experienced people leaving the company, because the way it works is that the colleagues can express their willingness to leave the company, and the company can accept or not. So it's a case-by-case discussion, and the most valuable people, I don't think they're leaving the company because of the early retirement plan. This said, it's in their rights if they don't want to work anymore to enjoy their retirement, right? So it's almost a business-as-usual kind of decision. I mean, the fact is that in Italy, there is this law that allows people to retire as earlier as five years compared to the original retirement age, and some colleagues decide to enjoy their lives outside Saipem.

MICK PICKUP

Okay, thank you.

PAOLO CALCAGNINI

I wish I was in that age.

MICK PICKUP

Me too!

PAOLO CALCAGNINI

Not yet, yes?

OPERATOR

Next question is from Massimo Bonisoli, Equita.

MASSIMO BONISOLI

Good morning. Two questions.

- One, if you could explain the rationale for recognizing the Middle East related extra costs upfront in Q2? And then in second half, rather than waiting for the conclusion of the commercial discussions with the clients on potential recovery or pass through. I understand it is prudent by doing so. How did it work in the past?

- And the second question, could you share some indication on recent trends in offshore drilling day rates? Are you seeing any signs of improvement or should we still expect a more mixed environment in the short term? Thank you.

ALESSANDRO PULITI

Okay. Regarding the first one, the decision to consider possibly in second half the same costs we incurred in the first half. The fact that these costs may be recovered from the client, it is clearly a fact. But this process will require a while. Certain clients, they gave us already positive indication that they are willing to do so. Based on past experience, like if you want to recall the time of the COVID and the extra cost we incurred at that time, there was a compensation, a partial compensation, but it's a process that may take six months or seven months. So as I said before in the call, most likely, this restoration of this cost will actually occur in 2027 rather than in 2026. So the way it works is that now I have, in a way or in another, to make clear that there are these possible extra costs in the second half of the year. So possibility to recover is real, but there will be a mismatch of time compared to our reporting exercise, as it happened for the COVID.

Regarding the daily rates in drilling, I would say that we are still in a mixed environment. There are signs, good signs, but it is also true that some clients are postponing right the startup of their drilling activities. Therefore, it may be possible that in 2027, we will see a clearer direction in the daily rates. Today, the environment is pretty steady, I would say.

MASSIMO BONISOLI

Very clear, thank you.

OPERATOR

Next question is from Sebastian Erskine, Rothschild & Co Redburn.

SEBASTIAN ERSKINE

Yes. Good morning, gentlemen. Thanks for taking my questions.

- The first one just on the Middle East. I guess beyond the one-off costs is there a risk that these structurally higher tugboat costs, logistics costs, insurance costs, kind of drive structurally lower through cycle profitability of engineering and construction work in the Gulf? Or is that the wrong way to think about it? I guess, the commercial activity is very strong, but I am just thinking about actually over the medium and long term, what the profitability of that work might look like.

ALESSANDRO PULITI

Well, the question is also the question that we are asking ourselves in these days. I would say that as soon as the situation on the Hormuz gets clear and we return to the situation that was back in February, there is no reason why the costs, they should not return at that level. And I would say that's our view. As soon as we are back to normal crossing, for example, insurance premia, they should go back to what they were before the beginning of the conflict, just to give you an example. So I would rather say that this is a localized effect that should come to an end as soon as situation will be similar to the one that was back in February this year.

Then there is also a different angle, that if it is true, like we see that there will be a surge of activity in the region, there could be some inflation of cost, but not because of the war, but because of a surge of activity. But you know if there is a surge of activity, then the extra cost is compensated within the new contracts. So I would say that all-in-all, we do not see a deterioration of marginality in the long term in the Middle East.

SEBASTIAN ERSKINE

That is very helpful, thank you.

- And then just a question on Energy Carriers. Obviously, the margin does remain quite weak at sort of 2% EBITDA. Obviously, Mozambique LNG has kind of restarted. But maybe you could give kind of a sense of the timing of the recovery and profitability. I think, Paolo, at some point you were talking about potentially getting back to sort of mid-single-digit EBITDA margins. What is the potential kind of timing on that recovery in Energy Carriers?

ALESSANDRO PULITI

So we do expect, clearly, a 2027 change, to be different and to be definitely better. Many of the projects that are keeping the marginality of the ENCAR pretty low and constant are coming to an end during this year. So there should be no reason why in 2027 we should not see an improvement on the marginality.

SEBASTIAN ERSKINE

Perfect. Thank you very much, I will turn it back now. Thank you.

OPERATOR

Next question is from Guillaume Delaby, Bernstein.

GUILLAUME DELABY

Good morning. Two questions, if I may.

- The first one is once again on the Middle East. Can you give us maybe a little bit of colour about your logistics - how your logistic is currently working? What is I would say typically the proportion which goes from through Saudi Arabia to the Red Sea, the proportion which goes I would say through the Oman coast, and maybe as well the proportion from the Strait of Hormuz, or are there also some other logistical routes? So this would be my first question.

- My second question is regarding I would say the offshore/subsea market. I know we need to differentiate a little bit, but the market is super strong. So my question is, currently, are your new offshore/subsea contracts, do they still carry higher margin than the contracts you were taking maybe in 2025? Thank you very much.

ALESSANDRO PULITI

Okay. So I will give you an answer to the logistics. So you know we operate in three main countries in the Middle East: Saudi Arabia, Qatar and the Emirates. So clearly nowadays, some of the deliveries that we were used to get for Saudi Arabia through Hormuz in the Gulf, now they are coming from the ports of the Red Sea, and then being transported by lorry into the East Coast of Saudi Arabia. Similar things happen in the Emirates, where deliveries that were expected directly, for example, in Abu Dhabi, now they are landing in the coast of the Emirates on the Oman Gulf. While for Qatar, as I was saying before, delivery or large items like the jackets and the decks, they are built in the Far East to be installed in Qatari waters, they still need to pass through Hormuz. And as I mentioned before, three of them passed within the first week of July, and others, they have to pass through in the next months. This is how the logistics works in these days.

Offshore market subsea, now it's true that there are many opportunities. Some of those you have seen by our recent acquisitions being captured. There are further in our pipelines, especially I would say in the Sub-Saharan Africa. But initiatives are also in the Far East as well. There are many developments associated there in all deepwater, for example, in Indonesia. So clearly, we see activity coming up. Now, the ability of turning this activity into higher margins has always to be confronted with the ability of our clients and their bargaining powers that remains very strong. So their decision of investments are very much linked to get the right price for the development. So in many situations, when you run a tender and you win a tender, in practice, you do not win a tender. You win the right to negotiate with the client, and the client will like to further squeeze your margin prior coming to the assignment of the contract. So margins in the deepwater activities are nice, but I would not rely on the fact that they become nicer because of the increase of the demand.

GUILLAUME DELABY

Thank you very much, Alessandro. I turn it over.

OPERATOR

Next question is from Guilherme Levy, Morgan Stanley.

GUILHERME LEVY

Hi. Good morning. Thank you for taking my questions. I have two, please.

- Firstly, just going back to the provisions related to early retirement, is there scope to do that in other countries as well? And was that somehow embedded in the one-off cost that was guided at the time of the merger of Subsea7 of €200 million to implement various types of synergies?

- And then secondly, thinking about your pipeline of new opportunities, there was a jump in Middle East onshore E&C work, particularly between the first quarter and the second quarter of around €3 billion of new projects that you could bid for. Can you talk a bit about the profile of those new prospects? Is that related directly to reconstruction work, or is that mostly greenfield projects outright? Thank you.

PAOLO CALCAGNINI

Okay, I'll pick the first one on the early retirement. Well, every country is different from the other, so the way it works in Italy is different from any other jurisdiction. So you should go country by country. Every country has its own schemes, if any. So it applies only to the colleagues employed by Italian companies. And no, they were not included into the cost of the synergies, if that is the question, because we would have done it anyway, even without the merger. And as I said, a big part of the colleagues will leave the company from the Energy Carriers, rather than the Offshore. But obviously, the cash cost is included and was included in the cash guidance for 2026. So the guidance is already net of those costs.

And then the other question was on the commercial opportunities, I guess. If you want to take it?

ALESSANDRO PULITI

Yes. On commercial opportunities, as you rightly mentioned, we still see many opportunities in the Middle East. I would say that both offshore and onshore, it's not only onshore activities. The national oil companies in the Middle East, they're very resilient and strong. So even owing the current circumstances, they are keeping looking at their future for development of reserves and optimise production of oil and gas. So therefore, they are looking to new projects. The Uthmaniyah project is one of the key of those projects that is to improve ability to produce gas in Saudi Arabia. And on our side, it represents a big change compared to the projects we acquired back in 2018 - 2019 in Saudi Arabia - just to make the name Berri and Marjan. Those projects that were acquired by Saipem 100% taking the full risk of the project.

The new Uthmaniyah project is acquired under the new scheme of the National Champion. So we are 50:50 with the main and very reputable local contractor, which will share the risk of the project. The National Champion project is a program launched by Saudi Aramco to really get growing the local capacity of building EPC contracts. So Saudi Aramco decided to give to those new association of an international contractor and local contractors, seed projects to let these activities start up.

Under this setup, I would say that our risk profile is fundamentally reduced compared to the previous project acquired in Saudi Arabia and fully satisfied our current risk appetite for projects on land and, generally speaking, in the ENCAR division of Saipem. So this is the rationale for acquiring. So we have been, and we will be very selective when acquiring projects on land, and only if the new risk appetite is satisfied, we will get it. Uthmaniyah was fully satisfying this condition.

Guillaume Delaby

Very clear, thank you so much.

Operator

Next question is from Kevin Roger, Kepler Cheuvreux.

Kevin Roger

Yes, thanks. Frankly, everything has been asked, but just to be sure that I well understand the 2026 updated guidance.

- So the €1.75 billion that you are guiding includes the €70 million additional costs that you have booked already now in Q2, but also the €70 million potential additional costs that you're going to see in H2. Just to be sure that I understand well the 2026 EBITDA guidance with those Q2 and H2 costs

Paolo Calcagnini

That's correct, Kevin.

Kevin Roger

Okay. So you took a very conservative, in a way, approach.

- And just to be sure, I don't know if you want to provide a number also, but the adjustment in the guidance also relates to the shallow water disposal. Is there any sense to assume what was the expected contribution of the shallow water for H2 EBITDA at the group level?

PAOLO CALCAGNINI

Well, Kevin, this is a number we can't share because of confidentiality with the buyer. But we shared the revenues for 2025 for the shallow water fleet. I remember a number close to €170 million as revenues. Make your assumption on the margins and you can guess what is missing in Q4.

KEVIN ROGER

Okay, perfect. Thanks a lot.

PAOLO CALCAGNINI

Thank you.

OPERATOR

Next question is from Victoria McCulloch, RBC.

VICTORIA MCCULLOCH

Thanks very much. Two questions, and thanks for detailing the de-risking of these new awards.

- I wonder if you could talk to a bit about how much the increase in the tender pipeline, not necessarily year-on-year, but maybe over the previous couple of years, has been due to you being open to these new types of projects within sort of the bidding framework. And also in connection to that, how that has changed geographically the split of the tender pipeline.
- And then secondly, given the recent escalation this month in the conflict and the volume of cargoes to pass through the Strait in the coming months, what kind of

assumptions have you made in terms of potential delays within your guidance that you've retained today? Is there an element of that in the numbers that we see today? Thanks very much.

ALESSANDRO PULITI

Let's start from the second one. Basically, as I said before, in the second half, we expect 10 inbound crossing in the Hormuz mainly to feed our offshore project activities. And I would say mainly in Qatar, because construction activity in Saudi and in the Emirates is done locally. So why we see this possible extra cost also in half two, because we do expect a similar situation that in half one.

So a situation in which you may achieve the crossing, but this crossing will imply waiting time of your cargoes, basically waiting when there are the right safe conditions to cross. And this is exactly what we did in the first half. We had the jacket for the Ruya projects in Qatar loaded out in Oman, and basically this jacket waited almost one month, if not more, the right window to cross safely. But clearly, while you are waiting, you generate extra costs because you still have to pay your barges longer, your tugs are booked for longer times because some of this heavy equipment, like jackets and decks, are loaded either on barges that are towed by tugs or loaded in heavy transportation vessels on which you pay the daily rate.

So if your crossing, instead lasting, for example, from China to Qatar one month and a half it ends up the crossing is lasting two months, three months because you have to wait in the entrance in Hormuz the right time to cross, then you generate extra costs. So this is the reason why we say that in the second half, we possibly have extra cost similar to the one we incurred in the first half. You may argue that, but you did three crossings and then you have to do 10 crossings, so there is no proportion between the two extra costs. But the fact that is also true that we made some experience, so we know which is the degree of preparation, what to do, and how to handle the situation in such a way that when the windows are right, we're ready to cross.

Basically, during the first half, we spent a lot of time to understand how to make a safe crossing. Now all this is experience then, so that's the reason why, all in all, we think that we possibly have in the second half a very similar amount of extra costs than the first half.

Okay, regarding the commercial pipeline. Now, the commercial pipeline is increasing because we see in front of us much more opportunities than we were, let's say, experiencing one year ago. There are plenty of calls for tenders, both onshore and offshore. But I would say we will try to keep fit, so our appetite for new projects will be only if the new projects are within our new company risk appetite. The fact that there is a bit that is a wider commercial pipeline ahead of us has to be interpreted in a way that this will allow us to be a bit more choosy than we were in the past.

VICTORIA MCCULLOCH

Thanks very much for that. If I could just ask a follow-up on the first part, and this might be a stupid question.

- Is there no impact from the Revenue recognition on the delays that you've experienced in Qatar and the expectations you have for the second half of the year?

ALESSANDRO PULITI

Yes, because at the end, those projects are very complex projects. Those are such complex projects where, in the short term, a late delivery of certain equipment in the overall project schedule is compensated by bringing forward other activities that you can carry out while waiting that kind of equipment. All those equipment, they are not on the critical part of the projects, but within the project schedule, in the short term, as we normally do, we continuously update the schedule in order to make progress, although there is no some part of equipment which in a way or in another is late. This is part of normal project management and optimisation.

There are many reasons why certain deliveries are late in a project. In the most common situation it's both because the supplier is late on the delivery. In this case, there are no late deliveries because of suppliers, but there are late deliveries because of the difficulties of crossing Hormuz. But the practical result is the same. While waiting the jacket, for example, we use the vessel to lay lines that are already in the country. So our installation fleet is not idle. It's simply bringing forward activities that were expected, for example, to be done later, that are anticipated. So that's the reason why revenues are constant while costs are possibly higher.

VICTORIA MCCULLOCH

Thanks for the colour. Much appreciated.

OPERATOR

Since we are already over our one-hour slot, we will accept only one question for analysts and close the call at 12 CST time. Next question is from Alejandra Magana, JP Morgan.

ALEJANDRA MAGANA

Hi, good morning, thanks for taking my question.

- I know you said overall you don't see a deterioration of profitability longer term, but could you help us understand what proportion of the €70 million of costs incurred in the first half could remain relatively sticky in the near term after disruption ease, versus those that should unwind relatively quickly, such as waiting costs?

ALESSANDRO PULITI

As I said before, if the situation gets back to normal, we do expect that extra premium will be back to normal. Rental of certain tugs, supporting vessel, that now are increased because you have to use only equipment and tugs, and barges that are within the Gulf. So you cannot bring competition from outside the Gulf. So that's the reason why prices are rising. As soon as, let's say, Hormuz reopens in full, then all these costs are supposed to disappear.

As I said before, there could be instead an increased logistic cost because there may be a surge of new projects in the area. The projects that are currently ongoing, plus projects that are coming from restatement of facilities being damaged by the war. So in this case then, you can have some costs, but costs that are associated to an increase of demand. So in that case, normally there is no effect on margins. I mean that's why I don't see a permanent deterioration of margins in the area in the medium long-term.

Alejandra Magana

Thank you.

- And my follow-up is, how did the €70 million of costs evolve through the period, and how is the run rate so far in July versus the first half run rate?

Alessandro Puliti

Now you're asking me a very detailed one. What I can repeat clearly is that we accumulated €70 million in the first half, so as of the end of June. And we think that we possibly have same amount of extra expenditure in the second half. Clearly, you understand that situation can get better very soon or can get more complicated very soon. It is completely out of our hands, and even forecasting, as you can imagine, is not that easy. So I believe that the most linear choice we had, and prudent, was to say, okay, in the second half, possibly, we consider same amount of extra cost we got in the first half.

The sum of those that mean are related, as I said before, extra costs of premium, extra costs of tugs, extra costs of barges, extra costs due to deliveries with lorries, trucks from the Red Sea and the Gulf of Oman to the east coast of Saudi Arabia and the north coast of the Emirates. That's the situation. If you are asking me whether I'm expecting extra costs linked to relocation of expat's families like we did the beginning of March, okay, I would say that that's a cost that I believe will not enter into the second half or more. I hope will not enter into the second half as well.

Alejandra Magana

Thank you.

Operator

Next question is from Christopher Kuplent, Bank of America.

Christopher Kuplent

Thank you very much. I'll try and give you some time back.

- And just to confirm, very quick one, the €70 million, has that flown through to cash? That's it. Thank you very much.

Paolo Calcagnini

Yes, that's correct. It's money already spent.

Christopher Kuplent

Excellent, thank you.

Operator

Gentlemen, the next question is from Richard Dawson, Berenberg.

Richard Dawson

Hi, good morning. Thank you for squeezing me in. Just one question.

- Of these costs, in a best-case scenario, how much of these could be reimbursed if your client negotiations go well, and how much will have to be absorbed regardless of those discussions? Thank you.

Alessandro Puliti

Okay. So the extra cost, now it's difficult to say the exact percentage and which we can recover. Certainly, I will tell you what we will not recover for sure are the margins. Normally, when we bring costs to the clients, then on top we have margins of those costs. In this case, clearly there will be no margin associated to these costs. So that we can say it for sure. But I believe we can recover a good part of those costs because they are all very well documented, but it requires then clearly clients to go through their own procedures for variation orders. And so, I'm expecting spending a good time in the second half to negotiate this and maybe get results in the first half. I would consider myself very much satisfied if we can recover half of those.

Richard Dawson

That’s clear, thank you.

Operator

Gentlemen, the floor is back to you for any closing remarks.

Alessandro Puliti

Okay. We don't have closing remarks, so I believe that we can thank you all and close the Saipem second quarter 2026 results call.

Operator

Ladies and gentlemen, thank you for joining. The conference is now over. You may disconnect your telephones.

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