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Deme - Half Year 2023 Results

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Carl Vanden Bussche: Good morning, ladies and gentlemen. I am Carl Vanden Bussche, Head of Investor Relations for Deme. And it is a real pleasure to have you all here for the Analyst & Investor call on DEME's first-half year 2023 results.

Today, I'm accompanied by Mr Luc Vandenbulcke, CEO for the company, and Ms Els Verbraecken, CFO. Both Luc and Els will walk us through the presentation on our year-to-date performance. The presentation will be shared on screen during the webcast, and for your convenience, the same content as well as the half year report has been made accessible on DEME's investor portal.

Agenda for the presentation is displayed on slide two. Luc will open up with an executive summary, after which both Els and Luc will provide extra colour on both the Group and the segment results for the first half, as well as some words on DEME's progress in the ESG domain to then wrap up with the outlook.

After the presentation, we will open up for a Q&A round, where you will have the opportunity to ask questions to our management team. That's it for the introduction.

I give the floor now to Luc, who will kick it off from slide three onwards.

Luc Vandenbulcke: Yes. Thank you, Carl. And good morning everyone, and thanks for joining us for the presentation of our half-year figures. We start here on slide number three, with a short recap. I'll make this quite brief.

As you know, DEME is a leading international contractor and marine solution provider in the specialised fields of Offshore Energy, Dredging, Marine Infrastructure and Environmental activities. And next to that, we have a portfolio of concessions in offshore wind, marine infrastructure, green hydrogen and mineral harvesting.

We are structured around the four distinct segments, which you have on the screen here. Offshore Energy, we were the first one to enter the renewable sector. And today, I think we can mention that we are the number one offshore wind contractor in the world, capable of installing really all types of wind turbines, their foundations and cables, etc.

Also in that segment we have an established presence in oil & gas spanning already more than three decades.

Now, Dredging & Infra. Of course our original business. DEME has been creating land, as our tagline says, for more than 145 years. This activity performs activities such as capital and maintenance dredging, land reclamation, port construction, coastal protection, and is reinforced by the infra activity in which we do design and construction of port and inland waterway infrastructure and civil works.

Then Environmental business that offers innovative solutions for, as mentioned here, soil remediation, brownfield development, environmental dredging and sediment treatment, etc.

And the Concessions, which is complimentary overseas a broad range of diverse concessions and invest in offshore wind, marine and port infrastructure, green hydrogen and deep sea harvesting.

Now moving to the executive summary for this year. First of all, a really record high order book, which we see in each segment. So at €7.7 billion climbing by around 36% compared to the half year of last year.

Turnover increased 14% year-over-year to about €1.5 billion for the first six months, and especially notably within Offshore Energy and Environmental, which have increased by respectively 40% and 58%.

EBITDA increased by €31 million to €222 million in total, and represents also year-over-year stable margin. Net profit declined by €9 million from €39 million, mainly due to negative exchange rate results, which Els will comment upon.

CapEx expenditure remains high, and as of course, is thanks to our multi-year fleet investment programme where we are investing amongst others in the new vessels, Viking Neptun and Green Jade, which have recently joined the fleet. As well as these additions, we've also made progress on our long-term growth initiatives such as the green hydrogen in Duqm and our deep sea harvesting technology.

Based on this, I can already say that we are reiterating our outlook for the year and we expect thus a higher turnover than 2022 and an EBITDA margin comparable to 2022.

So I'll hand over to Els now to take us through the financial highlights.

Els Verbraecken: Thank you, Luc. And also a very good morning to you all from my side.

Looking at the key financial highlights. I will not spend too much time on this slide because I'll go into detail later on each of these numbers. But I think in general, I can say that we are quite happy with the result because we see actually a positive trend on most of the key figures despite some challenges that we met and we'll comment on them later on.

But so Luc already mentioned record high order book once again, and important to stress once more is that this is across all segments. I'll show you some detail later on.

For turnover, we also see a 14% year-on-year growth, especially in the Offshore Energy segment and the Environmental business. EBITDA following our turnover growth increasing to €222 million or reaching a 15% margin. And despite higher depreciations, Luc already mentioned Orion, Viking Neptun joining the fleet. Despite these higher depreciations, we see a higher EBITDA of €57 million in absolute figures in margin as well.

Net profit, though, a bit lower mainly impacted by negative exchange rate results and some other points, which I'll come back to later on as well. And CapEx remaining high mainly due to further expansion of the fleet but also including maintenance and some conversion investments. Amongst others, this CapEx leads to a higher net financial debt, but with a very healthy net financial debt over EBITDA covenant of 1.4.

Coming back to our first key figure a bit more in detail, turnover. So this growth of 14% year-on-year is mainly to be noted within the offshore energy segments, where we saw an increase of €186 million as compared to June last year and a plus €52 million increase in the Environmental business as compared to June last year. The Dredging & Infra saw a small decrease of around €30 million.

Looking at the geographical breakdown, there we see a more diversified picture if we compare to June last year. We have lower contribution from Europe and a significant growth in the

Americas, which is, of course, the offshore energy projects that Luc will also describe later on in this presentation.

Then looking at our profitability, I already mentioned it. EBITDA and EBIT show an upward trend. EBITDA is growing along with turnover. We saw a 16% increase in absolute value as compared to last year June, and we have seen a slight increase in the EBITDA margin from 14.8% to 15%.

When we look more in detail, we see quite a different image than what we have seen for turnover, first of all, and I'll come back to it later on in detail. But we see the EBITDA in the Offshore Energy going down as compared to June last year. And this mainly due to startup of some big projects, but also because we recorded some losses on two projects, pending client discussions and negotiations on variation orders and claims.

And also we did not have this year in June liquidate damages, like we had last year in June included around €19 million for the Orion.

On the other hand, Dredging & Infra, EBITDA increased as well as the Environmental EBITDA. And this is mainly thanks to disciplined project execution but also a positive impact of some settlements and variation orders throughout both of the segments.

EBIT also increasing 43% when compared to June 2022. And as I already mentioned also, the margin went up to 3.9%. Net profit, I'll come back to that later on more in detail. You can see here the earnings per share as well at €1.19, whereas in June '22 we recorded €1.56.

Looking more in detail to some other items. I already mentioned higher depreciation and impairments, mainly related to Orion and Viking Neptun. And then giving some more detail on the financial results. You can see that we go from a plus €4 million end of June '22 to minus €13 million at June '23, and that's actually again mainly the impact of some local currency deposits that we keep in order to pay for local costs that will be upcoming in the future.

The impact of this negative exchange rate is actually minus €18 million, so in June '22 we had a plus €9 million included and in June '23, a minus €9 million included. So quite a serious impact on our net profits.

What we also see is that the contribution of joint ventures and associates to the net profit is a bit lower than what we saw in June last year. I will show you further on in the presentation that the result of the associates within the DME concessions business. However, it's quite high around €18 million, but I already referred to some losses in the Offshore Energy. Those have an impact in a joint venture. And so offsetting this €18 million result of the associates business, but I'll come back to that later on as well.

Then having a look first at our CapEx, Luc already mentioned, we continue the investments in our technologically advanced fleet. And for the first half of '23, you can see that the amount invested, €216 million, is actually more or less in line with what we saw in June last year, €226 million.

What is included some conversion investments for Sea Installer, and then of course Yellowstone, the former bulk carrier that we are transforming into a fallpipe vessel, but also maintenance investments are ongoing. And then the Green Jade, already mentioned by Luc as well, but remember or keep in mind that the Green Jade is not included in this figure here because it is

recorded under an equity company. What's also not included you will remember is the investments in financial fixed assets.

If we then look a bit further, we've been talking about the first half of the year now, but we, at this moment also have a sharper view on what a total investment for the full year will be. And we see some shifts in timing, but also some lower amounts of investment needed in auxiliary equipment, in survey equipment, all smaller items. We also see some lower maintenance in the second half of the year, because we expect a strengthening occupancy for the dredging fleet. And so this leads us to actually reducing the expected CapEx amount from €500 million, which we guided for last time to €425 million.

Of course, the continued high CapEx in the first half of the year. And this combined with big projects being in startup phase and requiring some additional funding, combined with the pending variation orders and claims we have under discussions, all these factors have an impact on our cash flow generation, working capital and net financial debt.

I'd like to point out once again however that the net financial debt over EBITDA is very well under control with 1.4.

Before diving a bit more into each segment, let me give you a quick detail on the order book. It's again a 24% increase as compared to the figure of the full year 2022, so an increase again on an already high figure and again an order book at all-time high.

What we do see is a more balanced situation again between the Offshore Energy segment and the Dredging & Infra segment, because the Dredging & Infra segment increased when compared to the half year of 2022 by 27% up to €3.4 billion. And the Offshore Energy segment increased to €3.9 billion. Also Environmental increased by 5%.

Looking at the geographic breakdown, you can see that Europe remains very strong. Luc will come back to the projects that we have concluded, but one important one is definitely the Princess Elisabeth Island. We also see the share of the US in the order book declining a little bit, but of course the vineyard project is in full execution. And we also won some projects in Germany, Italy, and the Middle East.

Looking at the runoff, you can see that for the second half of this year we expect around €1.5 billion, and for 2024 we have almost €3 billion in our order book. And as you know, we are always quite conservative when considering whether or not to take a project into the order book.

So after this slide, Luc will take over, and he will give you a more business and operational insight in the segments. But let me start by showing you some details on the figures first. And I'd like to start once again by stressing how important the diversified sources of income are in a cyclic project business.

I already mentioned that turnover has been growing in the Offshore Energy segment by 40%. On the other hand, we have seen a decline in the EBITDA margin to 12%. And as I already mentioned, mainly because some big projects are in a starting up phase. Secondly, we did not have any liquidated damages income included in June '23 and the sale of the Groenewind, which you have seen in the press release, is not yet included in this figure.

And then thirdly, we see some losses on two projects on the vineyard projects in the US and the Zhong Neng project in Taiwan, both pending outcome of claims and variation orders that we are negotiating with clients regarding supply chain-related issues and their knock-on effects.

The Dredging & Infra segment, though, turnover is declining a little bit, we see an increase in the EBITDA margin up to 14.3%. And I already mentioned here the solid project execution and the realisation of some variation orders and settlements when we come towards the end of some projects.

Even though we have seen some project end – projects ending, I'd like to stress once again that we expect a higher vessel occupancy in the second half of the year and so some new projects coming up.

Looking at the Environmental business. There as well we see a solid execution and the impact of a final settlement of one project in the Netherlands leading to a 22.6% EBITDA margin. The environmental business being less capital intensive brings us to a 19.2 EBIT margin. And then on the right-hand side of the slide, you can see the net results from the associates from €3 million to €18 million. It's mainly driven by a higher production of the offshore wind farms, and in part the increase of the electricity prices.

The financial results I already explained. And so this brings us to the €30 million net results. I think all in all, again, nice results, though impacted by the startup phase of some projects by some pending variation orders and claims. But please keep in mind that these are not unusual in our project business.

So I will hand over now to Luc, who will give you more of the operational and business flavour.

Luc Vandebulcke: Yes. Thank you, Els. So we had a look at the overall figures. We will go into the segment update. But before that, let me show you here a picture of our beautiful vessel Green Jade. It has been mentioned a couple of times. We welcomed her in the fleet really last days of June this year and she started our campaign to install jackets on the zoning projects after some preparation works after her launching.

I think that's really significant because we now have our two really new vessels, Orion and Green Jade operational, and let's say doing the business they have been built for.

Let's start with the segment of Offshore Energy. So we have a very strong performance here. You can see the order book amounts to €3.9 billion, which is an increase of about 50%. The notable additions here are the foundations both in France for Île d'Yeu and Noirmoutier and the Dieppe Le Tréport projects. These are projects in which we will, let's say, apply the proven technology, which we learned and deployed in Saint-Nazaire, that's also of course helped us to win this projects.

And then you have the Empire Wind 1 and 2 projects, which represent our fourth contract already. They're cabling projects in the US.

Turnover was also up. You can see in the figures climbing about 40% year-over-year. And I think that is fuelled by, of course, the strong backlog and solid project execution. Now apart from that very notably is also the – our start of operations and the official entry I would say in the US market, where we have our Orion installing foundations on DP. So in a floating moat, which is quite revolutionary and which has been earmarked by the press also in US first steel in the water for the US.

Of course, it goes without saying, we already mentioned it. We are in negotiations with client on some variation and claims. And those are mainly related to supply chain and operational issues. So that's the reason why we had to register a loss on the project.

In addition to that, also on the Zhong Neng project, a loss has been recorded. Reasons are a bit different there. We had to devise an alternative execution method that had to do with scheduling of the vessels. So that is the reason why on that project.

Now those projects and a number of sizeable projects were in startup first half of the year, and therefore, you can see also EBITDA. And EBITDA margin were down compared to last year. And as Els mentioned before, also the absence of incoming liquidated damages because that's what we were referring to has triggered this result.

Now fleet utilisation, you can see that's a bit lower than last year. Also that has to do with some adjustments and preparations of the vessel. To give you an example, Orion was prepared not only for one project but for a string of projects to come sea fastening and so on. So that has obviously an impact on utilisation.

Then in terms of new vessels, so the segment has welcomed two exceptional vessels apart from the year before the Orion. We have now welcomed Viking Neptune, which has immediately started very successful operations and the Green Jade into the fleet. Also worth mentioning is the sale of Groenewind to Cyan Renewables from Singapore. The gain on that will be recorded and recognised in second semester results.

It was a planned transaction. We want to leverage our extensive capabilities in building and establishing operations of offshore wind farms rather than to perform routine services on the wind farms.

Now some key projects. So beginning of the year, we had a number of projects, for instance, by innovation. We installed all the foundations on Vesterhav. We installed the substation and the topside on Fécamp. The Viking Neptun has completed a number of inter-array cables on Dogger Bank A, and we will also continue on both Dogger Bank B and Dogger Bank C. On A and B together we will instal, to give you an idea, around 650 kilometres of inter-array cable.

Appollo, you see the Zhong Neng project mentioned that was done with a jack-up or that is being done with a jack-up. So CDWE, which is the combination of consortium between CSBC and DEME. So CSBC-EME wind engineering will eventually instal 93 pin piles and also the jacket foundations. So that's where Green Jade started its maiden operation.

Orion is active on the vineyard project where in total 62 foundations have to be installed and – foundations and turbines by the way. Sea Installer will do that, and where we have – are installing foundations, we have installed also the foundation and the topside over there.

Also in the non-renewables, we can mention the Hinkley Nuclear power station. We are installing offshore marine works on both the intakes and the outlets there. And we have two vessels, the Neptune and the Sea Challenger being deployed over there.

If we then go to the Drenching & Infra segment, you can see we have a turnover which was comparable to last year, was 4% lower, but on the other hand an increase on the EBITDA margin. We have, let's say, successfully started our projects. There's a couple of settlement of variation orders in there, but the positives have been partially, I would say, offset a little bit

with quite a high number of planned maintenance. Also partially anticipating on higher occupation of the fleet in the next period.

Now the order book increased by 27% compared to the same period, and that's thanks to a number of contract wins, which are mainly located in the Middle East and Europe.

One noteworthy contract here I would say is the Princess Elisabeth Island. Why noteworthy? It's the first artificial energy island. It will really be a key component in the integrated offshore European electricity grid. It's a project, world's first, I would say, that we are going to execute together with Jan De Nul. We are kicking off the project this year but the main construction works offshore you will see starting off next year.

In addition to that, the segment has won a number of deployments for trailers and cutters in Abu Dhabi. A number of dredging works in Germany and Italy, and of course a number of them across the globe. And at the same time, I'm also pleased to see that tender activity is pretty high, I would say, with major opportunities again spread across the world, but the major ones in Europe, Middle East and Africa.

The fleet utilisation has remained stable for the hoppers but it was lower for the cutters compared to the previous years. But that being said, given the projects that we have in hand and the project wins and the start of projects which we are experienced today, we expect vessel occupancy to strengthen in the second half and that particularly in the cutter section dredgers.

Here, some of the key projects. And you can see we have quite a global reach. It's just a couple of them. The Fehmarnbelt Fixed Link project, which you know of course. We are in a consortium to construct the longest immersed rail and road tunnel in the world, which will be connecting Germany and Denmark.

We're working on an LNG terminal in Stade, Germany, where you see a number of projects there, noteworthy is Port-La Nouvelle. I think that's the mid picture that you can see there. Why notably? Because we are – the Dredging & Infra segment is executing the works over there for a large scale port expansion and is also constructing terminals. But not only that, also DEME concessions is active in Port-La Nouvelle with the wind of a fourth 40-year port concession.

And it aims to develop the port as a sustainable green port with activities in hydrogen and strategic hub for offshore and floating wind. Some other projects are mentioned, as you can see, Altamira Mexico, the deepening of the access channel; Sri Lanka, we have been active; and Abu Qir Port Expansion projects, where we are currently continuing our activities.

The next segment is our Environmental segment. As you can see, we have seen a very robust growth in turnover here with 58% to reach €143 million, and segment where we achieved 22.6% EBITDA. This was on the back of projects, where we are deploying our specialised equipment and also our treatment centres, obviously.

We are busy today in Belgium, amongst others, Blue Gate in Antwerp in the Cokeries du Brabant. We are busy in the Netherlands, I'll come back to that on GoWa and IJburg in France, and on the canal Condé Pommeroeul, UK, Norway.

And then you can see also that generates the accompanying results with an EBITDA climbing from €12.2 million to €32.5 million. So I think both in there is a growth in the business and a

good execution of the business and an impact of a final settlement of completed projects in the Netherlands.

The order book also continues to grow, and that is mainly driven by project wins in Belgium. And as you can see, it stands at €226 million as of 30th June, which is an increase of around 5% on a year earlier.

Some key projects also here. So you can see them. So Blue Gate is a longstanding project and will last until 2036. It's polluted brownfield here in Antwerp, where we are, of course, doing the contamination cleanup and transforming it. It's very beautiful for the ones who live close to Antwerp into a sustainable business park. In France, the Condé-Pommeroeul really a large inland dredging project in France and we see there we are reopening six kilometres of canal in Gorinchem Waardenburg, is also a notable project. Why? Because of the contract type. We are in an alliance together with our client which is Waterschap Rivierenland.

So we have been setting up the alliance together right from the beginning and study in the design in the costing and also in the risk sharing for the project. And in Scotland, you see we are doing a really complex remediation project, where we are turning a former oil terminal also into a new industrial and commercial land development. And I think really there also we are setting new standards in terms of our focus on a circular economy with the majority of what comes out of the project being reused.

And I turn to Concessions. Now concessions, the figures have been mentioned by Els. This is good and recurring business. Our net result has a steep increase, so increasing from €3.2 million to €18.3 million, that is – which is, of course a nice result.

What has this been driven by? Well, we had stronger wins but we have also increases of the electricity prices, which is partly incorporated in there. We also have a strong pipeline. So we have the two times one gigawatt projects in Scotland in which, as you know, we hold respectively well in both of them, 42.5% participation. So we are continuing the development there.

At the same time, we are also continuing our focus on existing projects in Dredging & Infra. You have a number of them mentioned there. Blankenburg and part of Duqm ongoing, and the project of Port-La Nouvelle with the 40-year concession win.

At the same time on the right side of the slide, we continue our developments in green hydrogen. Also there, we are, let's say, playing a pioneering role there. We want to encompass the full value chain with a 100% renewable energy, so the production of green hydrogen and the conversion of it to green ammonia. And we have also achieved a significant milestone there by signing the project development agreement with the authorities and the government of Oman, of which you can see the picture on the right.

In terms of GSR, Global Sea Mineral Resources, so our deep sea minerals and harvesting activity. We could expect it a bit but it has been confirmed. The International Seabed Authority has not really concluded on the regulatory framework for the future exploitation activities yet, but they have now set a new date to have this framework available by the 30th session, which is mid-2025.

At the same time, we are – we announced the strategic cooperation with Transocean, whereby as you know Transocean has taken a non-controlling stake by contributing in kind an ultra-deepwater drilling vessel and also doing a cash investment.

A couple of works on ESG. Half year, we don't have detailed figures, but I think it's important to mention that we have continued our efforts to make the transition to clean energy happen. We are advancing offshore wind farms across the globe. We have added both US and Asia, more notably Taiwan to our activities.

You can mention the Fehmarnbelt, which is really going to be project in which we will be replacing longer travel to shore travel and railway connection. We have Duqm initiative. We are also involved in research project and a pilot phase of SEAVOLT, which is floating offshore solar.

Our Environmental activity has continued. As you know, we have a number of treatment centres and onsite treatment solutions. We continue to do that in the Benelux, Belgium and Netherlands, I would say, France, UK, Norway. So in addition to, of course, here helping our clients to achieve their sustainable targets, we are also continuing to lower our footprint with the addition of very modern vessels into the fleet, particularly Viking Neptun and Green Jade. Viking Neptun, which has the latest environmental technology, including a battery pack for fuel efficiency, and the Green Jades, which has a number of features, dual fuel engines.

It has a number of fuel saving innovation, waste heat recoveries that recovers the heat both for heating but also for cooling and generating electrical energy.

And then in terms of our new fallpipe vessel, the Yellowstone, that's to come into the fleet beginning of next year. It will be a giant fallpipe vessel, the largest one in the sector, again, of course, compliant with the latest emission standards. But not only that, we'll also be prepared to be driven by green methanol and that will be a first of its kind in the fallpipe vessel industry.

And when using that of course, it will help us to realise our ambitions in this - to go to a net-zero greenhouse gas emission.

Safety, always super important. We don't give exact and detailed figures, but I can tell you that we have met our KPIs in all of the KPIs that we have set. Incident reporting observations, incident investigation. So that is very good, but a continuous point of attention.

Now in terms of ESG, very briefly also, we had the beginning of the year North Sea Summit, which we together with the government hosted in Belgium, which – in which really all the countries around the North Sea have been confirming their huge ambition. And so, of course, we signed together with the governments, the associated industry declaration and we see that governments really are committed and want to remain on track in the addition of more offshore wind.

We had the DEMEx Innovation programme that's really transformational innovation. We have two initiatives which I really briefly want to highlight. We are committed to sustainability and innovation. We are supporting the [inaudible]. For the 10th time, we'll have a car racing in the solar challenge that's starting in a couple of weeks from now. Let's – we wish them all the best and we'll be following up.

And we continue to team up with Mercy Ships, a project, an NGO, which is really close to our heart and which is a token of our longstanding commitment to support the communities in the countries that we are operational in.

In terms of outlook. So you can see from what we have been saying, we had a very busy six months. We continue to make progress, and to be important in all the aspects of our business activities. And I think, let's say, based on our performance in the first half and the opportunities that we see ahead, we are happy to reiterate our expectation that turnover will be higher than 2022, and we will achieve again a comparable EBITDA margin.

In terms of CapEx, that we have trimmed a bit. We have now a better visibility. We anticipate that to be around €425 million for this year.

Now on both a professional and a personal note, I will conclude with a bit of an organisational update. Of course, we regret very much that Els will depart DME next year, but at the same time we are pleased to announce the succession plan and Stijn Gaytant will be taking over from Els. Stijn is currently leading the finance for DEME in Asia Pacific. He has been with the Group for more than 20 years. He has experience across the whole business.

He had diverse expert and leadership roles across various projects, I would say, sectors and regions. He holds a degree in Commercial Engineering from the KU Leuven, which is a good sign, Els. And so we will see Els continuing until DEME's next annual shareholder meeting, which is scheduled for 15th May next year. And in the meantime, so Els will keep her full responsibilities as CFO in the Group.

In the meantime, we will, of course, ensure that we have a seamless transition to Stijn. We will introduce Stijn as soon as possible to yourselves and to the investor community, so you will have the opportunity to meet him. And I'm looking forward to collaborate with Stijn.

So really wrapping up now. I would like to thank and take the opportunity to thank all of DEME people, all of the entire team for their great work so far and that on behalf of myself, the management team and the shareholders. and I would like to thank you already. We will of course see and hear you on the Q&A, but I would like to thank you for joining us this morning.

And with that, I hand back to Carl to moderate the Q&A session.

Questions and Answers

Name (Company Name): Carl Vanden Bussche: Thank you, Luc and Els for the insightful comments on our half year results. We are indeed now ready to open up for the question and answer round. As you know, we have two ways of asking questions.

For people in the conference call line, you can press star one and the operator will put you in the waiting room, after which you will be asked the question. For the people in the webcast, you can use the chat forum to shoot a question to us. From our side, we will manage the inflow and try to mix and match the questions. So we're ready and gearing up for the first question.

We have many questions already in the chat. So I'll start to take perhaps a couple of those questions. I think the first one is around Vineyard and Taiwan in Offshore. So the question comes from Thijs Berkelder. Can you please quantify the combined EBITDA miss due to

Vineyard and Taiwan issues? And what can we also expect going forward into the second half of the year? Els or Luc?

Luc Vandenbulcke: Yeah. So let me first thank you for the question, Tijs. So we combine them first of all, and of course we wouldn't be mentioning it if it was not meaningful. We are not giving exact figure on this for a number of reasons because going into the project details is commercially sensitive. And secondly, of course, because we are still in discussions. And both of the projects are still ongoing.

As you know, we are in a project business. It depends a little bit on the timing, so – but the impact is – of both of them is meaningful. I don't know, Els, whether you want to add to that? No?

Els Verbraecken: I think it's perfectly fine.

Carl Vanden Bussche: And perhaps one follow on question from Thomas Martin, whether we can, will, or able to provide further details on the alternative installation methods that have been applied in Taiwan. So we mentioned vessel availability drove this.

Luc Vandenbulcke: Well, yes, alternative installation methods. We were originally looking at how this is mainly on the pre-piling, whether to do it, when that has to do, weather sensitivity and so on, whether to do it with a jack-up or a floating vessel. And the choice has been made to do that also for a number of scheduling reasons to do that with the Appollo, which has been mobilised. So that is what we mean here with the alternative methods. And Appollo is, as we speak, progressing with the installation of the pin piles.

Carl Vanden Bussche: Okay. We now have a question also from Luuk Van Beek on Environment. They had an exceptionally strong result in the first half, which we know.

Luc Vandenbulcke: Yes.

Carl Vanden Bussche: Partly thanks to the settlement. Question is whether we can give any rough indication on the underlying value?

Els Verbraecken: I think we do not indeed disclose a specific amount for the one-off impact, but what you should know is that the EBITDA was indeed evolving in a positive way even without this settlement. It's an important settlement but even without a settlement, EBITDA margin would have gone up.

Carl Vanden Bussche: Yeah, thank you. And I'm just checking with the team here, whether we can also take a question from the call. Yeah, from Tijs Hollestelle. Tijs, good morning.

Tijs Hollestelle (ING): Good morning. Thanks for taking my question. Yeah, what is the internal cutoff rate for start mentioning loss provisions or positive claim settlements in the press release roughly?

Els Verbraecken: We do not have a specific amount. As you know, Tijs, we have small projects, big projects. We thought that for those two that we mentioned, it would make sense to mention them, specifically, because we are in negotiations. And as Luc already mentioned, timing of negotiations on projects or variations of projects is not always very clear. And so we wanted to disclose these ones, because we are still working on it without being able to give you even exact timing and exact amounts. But we do not have a specific amount as a cutoff amount.

Carl Vanden Bussche: Yeah, thank you.

Tijs Hollestelle: Yeah. And you sound – sorry, the question is not finished. You sound quite relaxed on the most provisions. So is it, let's say, kind of similar to what you have seen in startup most provisions on projects in Europe, because like you also mentioned, the visibility on these trajectories is quite low and we have in the Netherlands, for instance, construction companies losing almost €200 million on the sea log and we see Saipem losing half of its market capital offshore wind project. So can you give us a bit more feel for what's going on here?

Luc Vandenbulcke: Yeah, maybe it's important to mention that the projects that we are working on are transport and installation projects. So we are not – I think the examples that you are giving are EPC projects, which is a bit of a different ball game. We're talking about transport and installation projects here in which the equipment to be installed be it monopiles, transformer station, transition pieces, turbines and so on are being delivered by the client.

So they are different in nature, I would say, in terms of being relaxed or not. Yeah, I want to say again that we are mentioning these projects because they are meaningful, but I think at the same time we are reiterating our outlook for this year. So that should give you a little bit an insight on how we view these things. And yes, of course on some other projects, we have had this situation before.

We take a pretty careful approach on taking a loss to complete. You have discussions on claims and for the people who are more into the contracts on claims and variation order, sometimes a mix of them, sometimes a mix of how you really define that. But I think again, the – our attitude comes from the overall view that we have on the results of the Group going forward and the outlook that we have been reiterating.

Els Verbraecken: And you know, Tijs, that we are –

Tijs Hollestelle: And the sale of the vessel?

Luc Vandenbulcke: Yeah, that was a planned –

Tijs Hollestelle: And the sale of the vessel, is that in the outlook?

Els Verbraecken: Yeah, that's in the outlook, yes. Because that was planned, as Luc was mentioning. So that's in the outlook.

Tijs Hollestelle: Okay. And one final, in the beginning of the year when you start providing this outlook, did you already knew, let's say, the positive impact from the environmental and the concession business on the overall results?

Luc Vandenbulcke: Well, on both of them, of course, we had a view and a number of assumptions that we took into account, but the same goes over there. The half year still had to be done. You heard on the concessions, for instance, it was partially based on higher wind speeds. Of course, we didn't have a glass bowl. And the impact of the settlement was negotiations ongoing, which we didn't have an exact view and we took a number of assumptions there.

Tijs Hollestelle: Okay. That's clear. Thank you.

Carl Vanden Bussche: Yeah, thank you. Couple of questions on GSR, so – or deep sea harvesting initiative. So the transaction with Transocean, whether we can give a bit more colour and whether that explains the high minority line in the P&L.

Luc Vandenbulcke: Yeah, Els?

Els Verbraecken: Okay. First of all, we did not book again on the GSR transaction with Transocean because the change in GSR's ownership does not imply losing control. So the transaction has been accounted for as an equity transaction with a non-controlling interest on the balance sheet.

The high minorities in the P&L, that's for an amount of €6.3 million and are actually due to the good half year result of the Environmental segment. In the Environmental segment, we have the 24.9% non-controlling interest by the [inaudible] partners since a very long time. So in minorities you can find that effect, and it has nothing to do with the GSR transaction.

Carl Vanden Bussche: Switching gears to Dredging & Infra. Again, a couple of questions on the same topic, whether we can give a bit of colour or grip on the new Abu Qir project extension, as well as on the win which we mentioned in Abu Dhabi?

Luc Vandenbulcke: Yeah, I think – so first of all, let me say that also both of them are substantial contracts. So we are continuing and expanding a little bit the scope of the works on the Abu Qir two projects. And in terms of Abu Dhabi, also there the contracts are substantial. It's a number of contracts there, which together give a healthy occupation for a number of vessels.

I think maybe a word mentioning here is that also the Spartacus will be occupied in these contracts.

Carl Vanden Bussche: Yeah, thank you. Again, shifting gears to capital expenditures. So on the CapEx guidance for the year, we trim it down from €500 million to €425 million now. And so the question is whether we can expect for the full year a little bit higher, or is it a shift in timing, or what can we give in terms of?

Els Verbraecken: Yeah. So as I mentioned at the beginning of the year, we, of course, have quite a clear view on the important CapEx for the new vessels. Though, there as well, we often see shifts in timing. In this case, it was not a shift in timing or there's not a shift in timing for the big CapEx, but it's rather the estimates that we had made at the beginning of the year for some smaller investments, be it pipelines or auxiliary equipment or survey equipment.

Those estimates had been a bit too high. And so that's the reason why we are lowering this figure. And next to that we have some lower maintenance expenses in the second half of the year because we do expect a higher occupation of the dredging fleet as Luc just explained.

Luc Vandenbulcke: Which we have been preparing.

Els Verbraecken: Yeah.

Carl Vanden Bussche: Good. Perhaps in between question, a quick one on the status for Boreas and Empire wind. We're back to offshore energy now. Yeah, Luc, I think one for you.

Luc Vandenbulcke: Well Norfolk Boreas has been taken out of the order book, so that is clear. So it's a total project of Norfolk on which – with three zones, each of them is 1.2 gigawatt, two other zones get developed, but the Norfolk Boreas is being taken out, and we had the export cable there in the order book, which what we call is sizable between €50 million and €150 million. But that has meanwhile been taken out of the order book.

I think of course, we still have quite some time to, let's say, anticipate on that and to fill the gap for the vessels there.

I think the second half of the question was Empire Wind. Of course, there with you – there's a lot of hearsay on that project. I think and what we are seeing and experiencing with the client, we still have the project in the order book. And as you have learned to know us, we have in general a conservative approach to this. So both of them Empire 1 and 2 in the order book for the Group, each of them reported as sizable and of course together they would be a substantial project.

Now on top of that, for all of the projects, maybe a site remark, we are in a busy market so that means that as soon as we have commitments from the client to us, but more importantly also from us to the client, we have, of course, contractual clauses, which deal with possible termination. You can imagine that, again, in a market that we are experiencing today, which is quite heated, we cannot commit vessels for free. So there is clauses to deal with such situations.

Carl Vanden Bussche: Yeah. Thank you, Luc. We already mentioned a couple of times, let's say, comments related to the guidance for the full year. And then perhaps just a question on how we translate that into the expectations for the second half. I'll just read the question from Thomas Martin. Guidance for flat margins at around 17.9% comparable to last year implies significant growth in the second half following the first half result of around 15%. Is reaching guidance requiring a positive outcome from the ongoing claims/variation orders? What are the risks, the confidence around achieving this? Are we able to indicate if this is simply going through the procedural process or some disagreement with clients may cause liabilities or claims? So I think some colour on how we look at the second half and risks.

Els Verbraecken: Yeah. I think in general, it's fair to say when you look at our business that the first half year EBITDA percentage is always lower than what we see for the full year. So let's say that the 15% going up to comparable around 17.9% is definitely quite normal in our project business. And indeed, we do have different drivers. You know the projects are cyclic.

We have already mentioned the higher occupancy for the dredging fleet for the second half of the year. And when making our figures, we are used to these project cycles and we do make some assumptions, as Luc is mentioning, on settlements we are going to reach on, yeah, setbacks we still might expect. So we try to take all of these into account in the predictions that we have and the outlook that we have. That's what we are used to do.

Of course, it remains a project business and we will always have to deal with some favourable settlements or some setbacks on some projects. But it's difficult to say more concrete to that, but know that we are used to it and that we take different assumptions into account. I don't know Luc, if you want to add something?

Luc Vandenbulcke: No, I think that's right. At the same time, I think you have seen a little bit in the expose that in most of the segments and especially on the bigger one, occupation is going to be increased. And that's of course why we are able to reconfirm our guidance.

Of course, we need to get to the average both year halves to have, let's say, a higher EBITDA that's clear. But based on what we see today, we obviously see that achievable. We have taken as the rules employ, loss to complete on the projects that were mentioned. So that is our view on the end of the year results.

Carl Vanden Bussche: Yeah, I think two questions probably, Luc, a bit more for you on how you look at the future of the two largest segment. One question from David Kerstens. What is your view on the recent press coverage of costs, increases in offshore wind leading to some project cancellations? We talked about Empire Wind and Boreas. You clearly do not see it in your order book.

Luc Vandenbulcke: No, and that is – I think we have – in a number of interactions, we had in person and so on. I have used the word recalibration. And this is now – I'm talking now about offshore energy, and that's really coming up. I mentioned a couple of the factors raised with an ever increasing turbine platform. I think we are in need, and that's more the OEMs expressing that than myself for standardisation on the size of the turbines.

We have cost escalation, inflation on the raw materials, which doesn't have too much of an impact on us. Because as I mentioned, our order book is largely consisting of T&I contracts. We have the interest rates going up. So some of the developers have called that. And I think there was a couple of articles calling this the perfect storm.

What have I always meant with the recalibration, that is of course that developers were bidding to the absolute bottom. And I think beyond the bottom, and now we see that some of the projects are struggling. On the other hand, what we see now is that in some of the auctions we have prices coming up. We have corporate PPAs. We have a large demand for offshore energy. And in terms of our order book, we see of course, you see a good geographical spread.

You have the projects in France on which you have seen before that the numbers that our clients are seeing in terms of their net revenues are quite healthy I would say. So that is really – and that has also, let's say, guided us to have a healthy order intake for the coming years. And you'll see by the time we come to the end of the run of our order book, which you have seen is rather in '26, this recalibration will, to my opinion, largely have taken place.

But – so we are seeing an absolutely predicted move right now, and I think, yeah, the end game will be a little bit more of a standardisation and recalibration of the prices to the end consumer, whomever that may be, the industrial PPA takers or the governments or ultimately us, as consumers. But in the end of the day we are in need for offshore energy. And even with the recalibration, this remains a very competitive market compared to other electricity sources in most of the areas that we're operational in.

Carl Vanden Bussche: Yeah. Thank you, Luc. So that's for offshore energy. A bit the same question on how you look at the Dredging markets from, amongst others, Christoph Greulich. And so the latest trends you've seen in the dredging market. And then also as a second question with regard also to pricing levels in dredging. Perhaps just the overall view.

Christoph Greulich: Yeah, sure. So we – I've now for a couple of months I think been mentioning a higher tender activity. I think we – it's always with a number of projects in a large number of areas. Middle East Europe is a bit more predictable, but Middle East, Africa, Asia, the timing of it is never a 100% sure, but the activity remains healthy. We see now that for the second half and for next year we have a higher occupation of the fleet and I expect us not to be alone.

And I also expect that with our modern and competitive fleet that to have a positive impact on the figures, high occupation and probably there will be questions about Boskalis. But high

occupation has immediately quite a number of effects. You have – you're doing less maintenance or you have anticipated to do maintenance before good occupation, good contributions to your internal [inaudible] and eventually of course also increasing margins.

So I would like to reconfirm the outlook that I have. The tendering activity materialising in higher occupations and contribution margins which will follow.

Carl Vanden Bussche: And wonderful, Luc, you made the bridge to Boskalis. It's also actually a question from Patrick Milico[?] stating Boskalis results are much better than those of DEME for the first half, I assume. EBITDA first half around €370 million versus €222 million. How would you judge your own results compared to Boskalis?

Luc Vandenbulcke: Well, of course, you get the results and you think how do I compare them? But let's first say, have a look at not one half year, not even one year. You have to look in the long run, what have we done in the last year? We have invested in the fleet. We have invested in the number of activities that we are – that we are growing. And then of course a number of specific items.

We mentioned before we have these couple of losses to complete on the project. That is a part to take into account. We have the fact that a high occupation and especially also I think for Boskalis, who has a different way of incorporating the maintenance high occupation leads to, in the same period, less maintenance. So it has a double effect.

And let's not forget I mentioned it before, there is a really significant, as we can see, tailwind from the Manila airport project into it. So we understand the figures from the outset and the first look, I can imagine that you think this is quite different, but we are in general optimistic that in the long run we have, I would say, similar performance.

Carl Vanden Bussche: Yeah, thank you. Thank you. Els, I think two questions for you. The first one is around the concessions. Just checking here the question. One minute please. The strong – yeah, a question from Thijs Berkelder. Can you confirm the strong associates result related to the Belgian offshore wind farms? Whether it's sustainable, recurring? Or is it more a one-off here?

Els Verbraecken: Yeah, indeed, I think, Luc, already answered that question more or less. But indeed the strong result from DEME concessions is mainly related to the higher production and the higher wind speeds that we have seen. And in part also to the increase of electricity prices.

So if you know that these are the main points, indeed, it's largely recurring result that we expect if the wind is as good as it was in the first half of the year, but so difficult to predict whether we will see this nice wind again.

Carl Vanden Bussche: Yeah. And then another question from Andre Mulder. How do we look at sales and the evolution in sales pointing at the first half and the backlog? Have we turned more positive on sales for the full year '23 is higher now higher than before?

Els Verbraecken: I'm not sure I'm getting the question, but if you look at the turnover we had in the first half of the year, there we have seen the figure of €1.47 billion. And if I then take a look at the runoff of the order book, we're also approaching €1.5 billion for the second half of the year.

Of course when looking at this, you always have to keep in mind that sometimes progress on a project can be faster or slower, and it's difficult to predict how quickly a production of a vessel will go and so on. So the exact turnover is very difficult to predict in our business.

And as you know, link to that the EBITDA is even more difficult because we only start taking profit as from 10% progress of a project. So you can imagine, which we have already seen few times in the past as well, that towards year end it can be very difficult to predict will we reach 10% completion on a project or not. So will we be able to show margin on that project or not?

Carl Vanden Bussche: Yeah, I think we're moving into the last set of questions. I think one which we in part already responded to, but as it is still coming back to time, I'm asking it again, is a significant improvement in Environmental. So the margin of the division, related to the settlement, are we able to indicate if the underlying margin has improved significantly as well? I don't know, Luc or Els? We touched on it during the presentation as well, but please.

Els Verbraecken: The underlying margin has indeed improved even without taking into account one-off impact.

Luc Vandenbulcke: Yeah.

Carl Vanden Bussche: Okay. And then I'm really scrolling through the different questions and I think it's almost the last one remaining, quite a specific one. You mentioned – we mentioned, you choose to use the Appollo and Taiwan. Was that our choice or was it the client's choice? I'm just trying to understand whether the nature of the claim arises, if changes were owing to your choices on project execution. So the use of the Appollo in Taiwan.

Luc Vandenbulcke: Well, I think without going into the full details, it has been a mix we have been discussing together with the clients. There's all kinds of things, there's vessel scheduling, there's the weather conditions, there's the soil conditions. There's a number of reasons why this decision was made in full consultation with the client here. So it's us together for a number of reasons.

Carl Vanden Bussche: Yeah. And I think just quickly scanning the questions and also quickly scanning whether we have some online pending questions. I think we're good for now. So as such, it is now 10.20, and I think we can say we have come to the end of the earnings call for some questions. You still have some, you know how to find me.

So I'd like to thank Els and Luc for their presentation for taking also the questions, and all of you for participating to the call. We're looking forward to meeting with many of you during the roadshows and the conferences in the second half of the year. And for now, thanks again and have a great day.

Els Verbraecken: Thank you.

[END OF TRANSCRIPT]