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Speakers: Keith Russell, Jean Cahuzac, Ricardo Rosa and John Evans

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Operator: Hello and welcome to the Subsea 7 S.A. Second Quarter 2014 Results Conference Call. Throughout this call all participants will be in listen-only mode and afterwards there will be a question and answer session. And just to remind you, this session is being recorded. I'll now hand you over to Keith Russell, Investor Relations Director for Subsea 7.

Keith Russell: Thank you very much. Welcome everyone to our conference call and webcast covering the results of the second quarter and the first half of 2014. Here with me on the call I have Jean Cahuzac, our Chief Executive Officer, our CFO Ricardo Rosa and also our Chief Operating Officer John Evans.

The full press release containing the results can be found in the Investor Relations section of our corporate website along with the presentation and slides that we'll be referring to on today's call. We'll be following the usual format today for a quarterly earnings call: Jean and Ricardo will talk you through highlights of the presentation, following which they and John Evans will be pleased to answer your questions.

Before we start the presentation I just want to draw your attention to slide number two which covers our disclaimer regarding forward-looking statements in the context of this presentation. As time is fairly limited, we'd like to keep the event to about an hour. As usual, I would ask questioners when we get to that stage to please limit themselves to two questions each, at least initially, to give everyone a chance.

So with that brief introduction, I'll turn it over to Jean.

Jean Cahuzac: Thank you Keith and good afternoon to everyone. I will start by summarising the main elements of our second quarter 2014 performance before handing over to Ricardo, who will cover the financials in more detail. I will then conclude with some observations on the markets and the outlook for our business for the balance of the year.

So let's look first for the highlights for the quarter on slide three. The second quarter was another strong quarter for performance for Subsea 7. Group revenue was $1.9 billion, an increase of 13% from the prior year quarter with each territory increasing activity other than AFGOM, which had essentially the same level of revenue as a year ago. In the second quarter we achieved an adjusted EBITDA margin of 24% owing to the high activity level and good project execution.

So let's move to operations first. We had good execution across our project portfolio and made significant progress on a number of major projects. Among the larger projects in phase were Ofon 2, Bloc 31 GES and CLOV in West Africa, with CLOV achieving first oil in June, ahead of the client's schedule.

In APME Gorgon HLTI and ONGC G1 were the main contributors to revenue, while in Brazil we achieved the key milestone of installing the fourth and final buoy on the Guará-Lula NE project by mid-May which allowed us to demobilise and redeploy the *Seven Polaris* and the *Aker Wayfarer*.

In NSC, the main projects advancing in the quarter were Martin Linge and Delta S2 in Norway, and Western Isles in the UK. The Brazil territory continued with its financial turnaround which is evident from its result in Q2 even when allowing for reduction of approximately $35 million to the full-life project loss provision previously recognised from the Guará-Lula project.

Our Life-of-Field activity also had a strong quarter, particularly in the UK sector of the North Sea where our clients continued to rely on Subsea 7 to offer consistent project delivery. The size of our fleet and our engineering capabilities continue to differentiate us from smaller companies which have entered this market recently.

Global vessel utilisation was high in Q2 at 91%, which was an increase from the 86% level achieved in the second quarter of 2013. Our new vessel construction programme continues to progress well and is in line with cost estimates. The *Seven Waves*, for the first of the four new PLSVs to be completed, commenced operation under a long term contract in Brazil in mid-May, three months ahead of schedule. Other new vessel construction projects are all on track in line with cost estimates and schedules.

Our strong financial position as well as the success of our cost control initiatives allowed us to continue executing our $200 million share repurchase programme and the 3.6 per share cash dividend was paid on 10th July this year. I'm also pleased to inform you that in light of the strength of our balance sheet and confidence in our business the Board has authorised a further repurchase programme of up to $200 million.

Turning to slide four, which provides further detail on our backlog, as we previously guided this fell moderately in the period ending with a healthy $11.2 billion. Order intake was at $1.6 billion, including escalation on existing contracts and the award of a number of contracts below the $50 million value. Announced contract awards in the quarter included the Catcher SURF contract in the UK and two awards in the US Gulf of Mexico, an IRM agreement with BP and the Holstein Deep project.

We would like to take this opportunity to remind you that we only record as order intake signed contracts and approved deals. We do not include in order intake letters of intent or extension of contract options – sorry, contract extension options. And just to clarify, in the second quarter there was no increase of order intake attributed to PLSVs in Brazil.

With that brief summary, I shall pass you on to Ricardo who will talk you through the numbers.

Ricardo Rosa: Thank you, Jean. Good afternoon everyone. Jean has given you an overview of the quarter and I will now provide more detail on the consolidated income statement and the territories' operating results for the second quarter of 2014, and then comment on cash flow for the first half of the year.

Let's first look at highlights of the income statement on slide five. Second quarter revenue at $1.9 billion was 13% above that recorded in the same quarter of 2013. Compared to the prior year period, revenue has improved significantly in Asia Pacific and the Middle East and Brazil, was higher in North Sea and Canada, and flat in Africa Gulf of Mexico.

Second quarter net operating income was $350 million, which was up moderately on the second quarter of 2013 after adjusting for the $300 million full-life project loss provision on the Guará-Lula project recognised in the prior year period. After adding net financing of $2 million and including net foreign exchange gains of $10 million, income before taxes was $362 million representing a moderate increase on the prior year's second quarter, again after adjusting for the Guará-Lula loss provision.

The $98 million tax charge for the quarter was equivalent to an effective tax rate of 26.9% which was at the low end of our guidance for the full year. Net income for the quarter was $265 million resulting in diluted earnings per share of $0.73.

I will now turn to slide six and the territories' operational performance in the second quarter. Africa Mediterranean and Gulf of Mexico delivered revenue of $661 million for the quarter which was marginally lower than a year earlier. That operating income at $85 million gave rise to a net operating margin of 12.9%, down seven percentage points from the prior quarter's margin of 19.9%.

The reduction in the territories' margin was due to the phasing of various projects in Nigeria and Angola and additional costs incurred on the Line 60 and Line 67 projects in Mexico. These additional costs included field access issues and the consequences of the breakdown of a third party vessel which has since been replaced by our own vessel, the *Seven Polaris*. As we have previously mentioned, we are having ongoing discussions with our client regarding the recovery of some of the costs incurred in executing the two projects, but these discussions have not reached a stage where it would be prudent to recognise the associated revenue.

Asia Pacific and Middle East delivered revenue of $243 million, an increase of $101 million on the prior year quarter owing largely to the continued execution offshore of the heavy lift and tie-in project on the Gorgon field in Australia on which we recognised 100% of project revenue and for which the SapuraAcergy, our joint venture, acts as our subcontractor chartering to us their heavy lift vessel, the Sapura 3000. Net operating income was $22 million, down from $33 million in the prior year's second quarter. The decline in profit margin was caused mainly by a lower level of contribution from the SapuraAcergy joint venture, which was executing the Gumusut-Kakap project in Malaysia during the second quarter of 2013.

In Brazil, revenue increased substantially in this year's second quarter to $265 million, up from the $159 million in the second quarter of 2013. The offshore phase of the Guará-Lula project progressed well and our fleet of PLSVs were very active throughout the quarter, installing flexible pipe under their long-term day rate contract. Revenue also benefited from a $25 million insurance settlement relating to a completed project. The settlement had an insignificant impact on Brazil's net operating income.

The territory recorded a net operating profit of $57 million, which includes the reduction of approximately $35 million in the full-life loss previously recognised on the Guará-Lula project. This compared favourably with the net operating loss of $294 million reported in the second quarter of 2013 that was largely comprised of a $300 million addition to the Guará-Lula project's loss provision. We recorded the $35 million reduction in the estimated full-life project loss this quarter after a detailed review of the project's status, in which we concluded that the completed installation of the remaining submerged buoys and demobilisation of two of the four assigned vessels, all of which was efficiently executed, represented a significant de-risking of the project's offshore phase. We will continue regularly to evaluate the remaining risks and economics of the project throughout the remainder of the riser installation phase that is currently being executed by the remaining two vessels.

The North Sea and Canada territory generated revenue of $732 million, an increase of $28 million from the prior year period, while net operating income amounted to $156 million, which represents a 15% increase compared to the second quarter of 2013. The increase in revenue and profit compared to the second quarter of 2013 was primarily due to high levels of SURF and Life-of-Field activity, aided by favourable weather conditions that facilitated good progression of projects offshore and high vessel utilisation. Vessel utilisation in the territory reached 93% in the quarter, up from 88% in the same period last year.

Lastly, the corporate segments had net income of $30 million compared to $32 million in the previous year period. A reduced contribution from the Seaway Heavy Lifting joint venture caused by the completion of the *Stanislav Yudin* dry docking and lower renewables activity in the North Sea was partially offset by lower operating costs.

Slide seven provides supplementary details on the income statement, some of which I have already commented on. The contribution from joint ventures was down materially from the year before due mainly to the reduced profitability of SapuraAcergy and Seaway Heavy Lifting. Net finance costs were significantly down on the prior year period due mainly to the redemption of the 500 million convertible loans in October 2013, while other gains and losses of $10 million primarily reflected the net foreign exchange gains incurred in the quarter.

I now turn to slide eight, which provides an overview of cash flow over the first half of 2014. Net cash generated from operating activities totalled $716 million in the first half of 2014, with a decrease in net operating assets of $151 million in the six-month period making a significant contribution. Our continued focus on working capital discipline has enabled us in particular to improve the overall receivables position of the Group.

Net cash flow used in investing activities amounted to $397 million, which included $428 million of capital expenditure largely on the construction of the remaining five vessels in our new build vessel programme. Our capital expenditure guidance remains unchanged for the year at between $900 million and $1 billion. Net cash used in financing activities was $106 million, which included $93 million spent repurchasing shares during the first six months under the $200 million share repurchase programme which was completed in July.

As reflected on the summary balance sheet on slide nine, we finished the first half of the year with a cash and cash equivalents balance of $845 million, an increase of $195 million since the start of 2014. Total borrowings at the end of the first half stood at $919 million, a slight increase of $8 million from the start of the year, attributable to convertible bond accretion.

Moving on to slide ten, our financial guidance for the full year 2014 has not changed from what we communicated to you in late April, and is reaffirmed on this slide. In line with our continued commitment to returning cash to shareholders, through 28th July this year, we have spent almost $199 million to repurchase approximately 10.7 million shares under the $200 million share repurchase programme that commenced in October 2013. This programme is now considered complete, and as we announced today our Board of Directors has authorised up to $200 million to be spent on share repurchases over the next 12 months.

This new repurchase programme is subject to the customary safe harbour provisions of the Oslo Børs. This decision reflects the strength of the company's balance sheet and our continued confidence in the medium and long-term outlooks for the business. In addition, as previously announced, our shareholders approved at our Annual General Meeting in June a cash dividend of 3.6 Norwegian Kroner per share, equivalent to about $200 million in total, which was accrued in current liabilities of 30th June and paid utilising part of the Group's available cash on 10th July this year.

On slide eleven we have provided an update of the actual debate and future expected capital expenditure relating to the vessel new build programme. I'm pleased to reiterate this programme continues to be executed in line with our costs and timing expectations. As mentioned by Jean, the PLSV the *Seven Waves* commenced operations under long-term contract in Brazil mid-May, about three months ahead of our initial schedule. Details of the six vessels can be seen on slide 12, which was reviewed on our last call, and the target dates for the remaining five vessels to start operations have not changed.

I'll now pass you back to Jean to comment further on the markets and our outlook.

Jean Cahuzac: Thank you Ricardo. So let's turn to slide 13. Our view on the market has not changed from what we were saying three months ago. SURF tendering activity remains fairly high worldwide, however the timing of some last contract awards remains uncertain. Demand for the Life-of-Field remains strong, particularly in the UK sector of the North Sea as IOCs and independents continue to invest in existing fields. Uncertainty remains on the planning of new project awards in Nigeria in shallow water where our conventional business is.

I would like now to offer some comments on the markets and the outlook by territory for the remainder of the year. Let's turn to slide 14, firstly Africa and the Gulf of Mexico. In West and East Africa tendering for SURF activity continues at a high level. This is encouraging for the future and we are confident that this territory will continue to offer substantial opportunities for subsea contractors with our particular capabilities.

However, as we have said before, the timing of awards for some projects is uncertain, particularly in West and East Africa. One should not conclude that all projects are postponed for a long period. For example, one large project in Egypt which had been cancelled by the IOC in 2013 may be awarded to market later in '14 or early '15. I also mentioned earlier the slowdown in the shallow water conventional market in Nigeria. Tendering activity, particularly for larger projects, is currently very limited and it is uncertain when the situation will change. We continue to believe that it is a temporary situation that we are monitoring closely.

We are tendering for a number of SURF projects in both the US and Mexican sectors of the Gulf of Mexico. The operating environment in this area remains competitive.

In APME, slide 15, we see emerging deep-water prospects in Asia with potential market awards of large projects in particular in India and Indonesia. In Australia, market awards of large scale projects are unlikely in the near-term as local costs remain a major challenge for our clients. However, we have identified more opportunities in life-of-field in this country.

Turning to slide 16, in Brazil the demand for PLSVs by Petrobras continues to be high. Including our new build we expect to have at least nine vessels dedicated to this activity by the end of '16. As announced previously, while we are not currently participating in tenders for EPIC contracts in the pre-salt for Petrobras we continue with our efforts to agree on restructuring model which will enable us to become active again in the future. Discussion with Petrobras is positive.

Let's turn to slide 17. In the North Sea and Canada there are a number of SURF projects that we expect may be awarded to the market still in 2014, although the exact timing isn't certain. We continue to attract the interests of operators in our Bundle technology offering which played a role in winning the Catcher field SURF contract. Meanwhile, demand for Life-of-Field services continues to be strong as evidenced by high vessel utilisation in NSC in Q2. The longer-term prospects and medium-term prospects remain good, particularly for development in the harsher climates of Norway and Eastern Canada.

Turning to slide 18, in recent months I've been talking over the last months with oil operators focusing on optimising their cash flow and the costs of their projects. We are seeing some softening of pricing in the fabrication and equipment market from our suppliers which allows us to pass savings to our clients, but more importantly it is through early engagement with our clients that we are also able to propose optimal and cost-effective solutions for their projects. This approach is positive for our clients, but it's also very positive for Subsea 7 as it creates opportunities for us. It is clear that our engineering capability, the size and flexibility of our fleet and the new technology that we can propose are key differentiators.

Turning to slide 19 and the summary for the quarter, the second quarter of '14 was a strong reporting period for Subsea 7. We had good overall project execution and significant progress on Guará-Lula. Our backlog remain high, although somewhat reduced from a record level at the start of the year. Our financial guidance for the full year 2014 remains unchanged. We expect to increase revenue and achieve a moderate increase in adjusted EBITDA from the underlying level achieved in 2013, excluding the Guará-Lula loss provision of 355 million booked in that year. The high level of tendering activity across the territories worked well for the future. In the near-term however, the lack of transparency over the timing of some SURF awards and the current slowdown in commercial work in Africa continues to make it difficult to provide guidance for 2015 at this point.

We will communicate our outlook as we always have as soon as it becomes clear in the year. And now Ricardo, John, I would like please to answer your questions.

Keith Russell: Good. Jerry, we're ready now to take questions please.

Operator: Thank you very much. Participants, if you would like to ask a question please press 01 on your telephone keypad now. You can press 02 at any time to cancel. And our first question comes from the line of Philip Lindsay of HSBC. Please go ahead; your line is now open.

Philip Lindsay: Yes, thanks, good afternoon. Two questions please. The first one, the delays in project awards that you're identifying. Are there specific projects where you're seeing the delays in awards such as Gendalo for example? Perhaps you could comment on that, or give specific reasons, or identify customers. And is it much more widespread than in the past and indeed has it got any worse? That's the first question.

Jean Cahuzac: Yes, thanks for your question. I would say when you look at delays in some project awards which relate to local administrative issues or negotiations with government, I would say that nothing has changed. We have seen that over the last year and I think that we will continue to see that in the years to come. So, no specific comment on that; no particular worry. The world hasn't changed from that perspective.

Regarding delays on some of the projects, it makes things difficult to predict, but I wouldn't conclude that projects that have been postponed are necessarily postponed for a very long time. An example is one project in Egypt, which had been postponed more or less indefinitely in 2013, and then came then back to the market very recently with a faster process. So no change compared with the last three months I would say. Uncertainty is still driving this market.

Philip Lindsay: Okay, and specifically on Gendalo?

Jean Cahuzac: With Gendalo the sanction of the project depends on the timing of the agreement of negotiations between Chevron and the Indonesian government, and we know that these negotiations are ongoing. It's difficult to know when they will be concluded.

Philip Lindsay: Thank you. And then an unrelated question on your investment in the *Seven Arctic* – a speculative investment; clearly, delivery still some way off. I am keen to hear about early client interest in the vessel. Do you think the market's actually ready for it when it hits the water in 2016? Most people will view Statoil's targets around the whole Subsea Factory in 2020 to be quite ambitious, maybe even more so today than even sort of six or 12 months ago. So I wonder how you envisage using the vessel in the first several years of operation?

Jean Cahuzac: I will ask John to comment on the technical capabilities of the vessel, but I would say that the vessel is fully suitable for a lot of applications including the subsea factory, as you mentioned. And we do expect that there will be a very high utilisation of this vessel as soon as she's delivered. But John, do you want to comment on the option we took?

John Evans: Yes. Phil, I think the important thing Jean talked about there is the vessel is fully capable with a vertical lay system and a large deck to handle a lot of the existing work we have with two chartered vessels in our fleet today, the *Skandi Acergy* and the *Normand Oceanic*. We do know that the Factory of the Future will be on the seabed. The timing of that is under development but it will come. So we believe this vessel will certainly have a key role to work in our business immediately it comes off the blocks.

The other thing we saw in the past was that the industry adapted the size of their structures to suit the *Skandi Acergy*, when she first came out at around 280-tonne lifts. We can see that with a 900-tonne crane there was interest from manufacturers in adapting the size of some of the subsea hardware as a standard size. So we had scoped the vessel around the market we believed we'd have in '16, but knowing that full well in due course the ability to handle larger structures will allow the Subsea Factory to come into place towards the end of the decade.

Jean Cahuzac: I would just want to add that when we present the vessel and her technical specifications the feedback from the clients is very encouraging.

Philip Lindsay: Okay, super. Thanks a lot.

Operator: Thank you. Our next question comes from the line of Andrew Dobbing of SEB. Please go ahead; your line is now open.

Andrew Dobbing: Yes, good afternoon. Your order intake was $1.6 billion in the quarter and your backlog execution for '15 increased by – well, it increased from $3 billion at the end of Q1 to $3.8 billion at the end of Q2. Can you explain that $800 million increase? It's a lot bigger than would typically be expected from that $1.6 billion order intake in the quarter. Is that being driven by a slower execution on existing projects and revenue that you were expecting in '14 being pushed into '15? That's my question. Thank you.

Jean Cahuzac: I'm not sure I fully understood the question. I just would like to have maybe a word on the backlog and I'll then let Ricardo comment. I think the first thing that I stated was how we calculate this order intake. Signed contracts, no letters of intent, accrued variation orders, and no additional order intake of PLSVs in the quarter. So it demonstrates our strength that we have in terms of capturing smaller projects and working with our client.

I find that very, very reassuring, because on the one hand, you have more competition. We're talking about some projects being delayed and we still manage to acquire our share of the market and a good share of the market on these small projects, in particular, in Life-of-Field, but not only in Life-of-Field. So it's good news.

John Evans: I think Jean as well what we need to remember is a number of our Life-of-Field contracts involve a series of call-offs where our clients can call off services from us as they need them and as they adapt to their needs. So again, we regularly each quarter get different call-offs from our clients under a raft of different framework agreements that we have. So that, as Jean says, is the underlying business that we actually have. It varies by quarter, but that is a reasonably constant part of our business: taking call-offs from our clients as they need us under the Life-of-Field relationships that we have in many parts of the world.

Jean Cahuzac: And it can change from one quarter to another quarter.

Ricardo Rosa: I think Andrew, just to close up on this issue – and I understand what you are driving at – is that we project up the revenue that we believe is already existing in backlog and will be executed in the coming months and years. Clearly what we do not factor in are variation orders that in the intervening period are approved and therefore recorded or, as Jean has mentioned, Life-of-Field work that surfaces that has not yet been recognised in the order intake. So I think if you're trying to square first half to the second half that's the missing element of the picture.

Andrew Dobbing: Okay, I think I understand. Thank you.

Operator: Our next question comes from the line of Nick Green of Sandford Bernstein. Please go ahead, your line is now open.

Nick Green: Just a couple of quick ones, please. Following on from that last question, it sounds fairly normal that part of this backlog is due to, for example, the North Sea fleet or the inspection repair maintenance fleet. Is this how you've typically recorded intake in the past? Because by our calculations, the intake is about double the amount of construction awards that were awarded in the period, maybe $750 million/$850 million. So that seems a bigger intake from the spot market and the vessel fleet than previously. Is that the case?

Jean Cahuzac: Nick, we have said absolutely nothing in the way we record the order intake.

Nick Green: Okay, no problem. Thank you. Then a high-level question, please, on regional sales strategy. Are you able to give your sense on how your Brazilian and your Asia-Pacific businesses are likely to develop? So, specifically on Brazil, if Petrobras does continue with lump sum contracting – and we think it will at the moment – what are your options for competing in the market? I mean, do you believe you can realistically stay away, given the sector slowdown elsewhere? And then the second point here is on the Asia-Pacific. If the SapuraAcergy JV does dry up, or has less work coming to it, can you elaborate on any plans you may have to establish a more sustainable business in the region. Thank you.

Jean Cahuzac: Thank you, Nick. Starting with Brazil first, I think what's important is – whatever the market is – that we keep our consistent approach to signing contracts and increasing backlog with the right risk profile. And that's something we are committed to doing and that's something we will continue to do in the future. We will not go for backlog with the wrong risk profile.

So once you put that as the first assumption, then if we talk about Brazil – the way I look at Brazil, there are two markets: you have the pre-salt and you have the sub-salt market. Starting with the pre-salt, because I think your question comes from the pre-salt. There are two types of development in the pre-salt. They are fields which are developed with flexible pipes, and the way that Petrobras organises the market is a free placement of flexible pipes, which they actually provide to installers like ourselves. We are very competitive in this market, and an example is the *Seven Seas*, which is working today on pre-salt in a combination of lump sum and day rates with the right risk profile and this is working very successfully for Petrobras. And there will be other projects of this kind. We need to work with Petrobras to define the right risk profile on the rigid pipelay projects and fabrication projects for the pre-salt. And that's something that we are working on. And when we solve this, when this discussion comes to conclusion with Petrobras, we'll be back in this business. But again, we are not going to increase our risk profile just to increase the backlog in this area. I think we have a good future in Brazil, even in pre-salt.

So I think we have a good future in Brazil, even in pre-salt. When you talk about the PLSVs, I think we are quite successful with our new build projects. We are delivering very good results for Petrobras. The last point I want to mention about Brazil is we've reorganised our operation there; we have reduced significantly our cost and optimised our organisation there. So we are fully in line with the turnaround of the financials in Brazil.

Talking about Asia – the way we see Asia is what I mentioned in my script, is that there are a number of large projects in Asia that we will be tendering in the future. If you take Indonesia, where we already made offers, you have India, you have Malaysia. We see a slowdown for the large projects in Australia. And I think within this context, we will optimise the use of the fleet, including SapuraAcergy vessel, between Asia and other parts of the world to optimise our results. We see Life-of-Field in Australia picking up; it's an area we want to focus on in the future.

Nick Green: Okay. Thank you. Just on the Asia Pacific question, is it fair to say this is a bit of a double or quit strategy where a decision needs to be made here? As the JV work dries up, you either choose to step away from the market or you choose to go into it in a deeper way? Because it feels as if the underlying business outside of the JV is probably a little bit subscale at the moment.

Jean Cahuzac: Well, outside of Australia our targets are large EPIC projects in deep water. And we haven't changed our approach. So, depending upon the timing the business would be driven by the large project awards. That's the type of projects we are targeting in Asia outside of Australia.

Nick Green: Okay. Many thanks.

Operator: Thank you. Our next question comes from the line of Asad Farid. Please go ahead.

Asad Farid: Hi, this is Asad Farid from Berenburg. I've two quick questions. First is in regards to Guará-Lula. During the second quarter we saw a further 7% execution on the project. And even right now 21% of the project is remaining. I wanted to ask what are the key factors why your comfort factor with regards to the project has improved considering that in the third and the fourth quarter, the ramp up, or the completion of the project needs to improve further as compared to second and the first quarters. And I'm assuming that the weather conditions in Brazil are going to deteriorate in the third quarter looking at the weather cycle.

And secondly, can you please talk a bit about the competitive pressures on the offshore space; whether you think that incrementally, competition is increasing, especially in the North Sea from new entrants?

Jean Cahuzac: I'm going to ask John to answer on Guará-Lula and then I will take the question on the North Sea.

John Evans: As we discussed in Jean's recap of our quarter, here we achieved a significant set of milestones this quarter on Guará-Lula. We had all four buoys fully installed and commissioned and we installed 14 out of the 27 risers. So we're halfway through the riser activities. You're right that we're in the worst of the weather – we're in the Santos Basin winter period at the moment – but since the end of the quarter we have put two more risers in and as we speak we're putting in our 17th riser. So we have been running an ongoing model of scheduling of this activity.

We do allow for the weather. We did a lot of work with Petrobras in the last year on getting very good quality weather data for a new area of development, and there was a lot of adaption of that data towards the back end of last year. We now have very good weather data, which allows us to plan the work that we've got. We also de-risked the project by taking it from a four-vessel project to a two-vessel project. So now we have the *Seven Oceans* laying pipe and the *Skandi Neptune* doing the commissioning. That is all going as we planned. And this last trip that we're just doing now, which is in quarter three, is going in line with our plan.

So we feel reasonably comfortable that we have a good understanding of what's left to do. Everything that we've done we've done all once before. And we're now towards the back end of the riser installation programme. Petrobras are comfortable with the work and are comfortable with our progress, and hence the reason we reviewed our project estimates and made an adjustment at the end of quarter two. I'll pass the other question back to Jean.

Jean Cahuzac: Thanks for your question. Talking about the North Sea, the Q2 results show that we remain competitive there in spite of the fact that we see more competition. The way I look at the competition I would say, not only in the North Sea but generally speaking, they are different types of projects. When you look at the large and complex projects, or the projects which require specific technology, the market hasn't really changed because the companies actually executing this project in a reliable manner for the clients remain the same: it's us and basically two of our main competitors. So the market hasn't changed, and the pricing trend is specific and unique to each project, depending upon timing.

When we talk about the smaller projects of SURF – the tie-backs for instance in the North Sea – there is more competition, and we are going to see some pressure on margins until the activity level increases again. So if there is lower activity in some parts of the world and more competition, it's not unrealistic to see some pressure margin on the easier to execute projects. And then the Life-of-Field, where competition has also increased, the size of our fleet, our expertise, the way we develop the projects, put us in a good position, as we can differentiate ourselves through execution compared with a new competitor.

To summarise, obviously more competition if the markets slowdown will put some pressure on margin for some projects, but it's not true everywhere from a geographical perspective and from a type of project perspective.

Asad Farid: Great. Thank you.

Operator: Thank you. Our next question comes from the line of Fiona McLean of Merrill Lynch. Please go ahead. The line is now open.

Fiona McLean: Thank you. Yes, it's Fiona at Merrill Lynch. I have two questions. First of all, on the North Sea, you produced a very strong margin in the second quarter of this year. Could you maybe walk us through how you think that margin's going to develop in the third quarter and also in 2015? Are there any – let's say one off the items in that number – a lot of project completions, or is that actually a real number?

And then second question, if you'd be so kind as to walk through each of your four regions in terms of the amount of offshore activity you're expecting for the rest of 2014 and also for 2015. Thank you.

Jean Cahuzac: Yes. Thank you, Fiona. I'm going to ask John to answer for your question.

John Evans: So, Fiona, if I take the last question first and work our way back round again, and partially answer your first segment. The North Sea this year has been kind of a conventional North Sea. As we mentioned, all the weather has been good, so we've liquidated a lot of projects in the North Sea without too much disruption due to weather. It's just a fact of life. Sometimes the weather disrupts our activities. We're making good progress on a number of projects that we have, and it's the usual portfolio of projects from a mixture of Life-of-Field to Capex projects, to bundle installation contracts. So, as you recall, Wick has been very busy. We have one bundle installed at the end of quarter two. We have a Knarr bundle going in early August. We have some bundle activity which will come in for quarter three in terms of offshore activity there. So for us we will see quarter three and quarter two being reasonably the same in amount of workload, and quarter four is pretty busy historically depending on carry over work due to weather disruption or things that clients find in their field during an inspection repair programme which then requires intervention in quarter four.

Going into the next year in the North Sea, we have projects like Aasta Hansteen. We continue to be working on some of the regular UK projects into next year, such as Montrose and suchlike. We are also focusing a lot on cost control in the North Sea and making sure that our activities are cost-effective. In quarter two, we did four projects with our new base out of Leith that we talked about at the end of quarter one. The *Seven Navica* has now been re-deployed, so that will be one change you'll see. The *Seven Navica* will be earning her money in the Gulf of Mexico at the back end of quarter three and into quarter four. So again, that was around putting a UK cost-centric model into the UK markets to increase our competitiveness on some of the central and Southern sector projects. So to answer your question in a roundabout way, I think the North Sea – it's a typical North Sea season working out for us, with a lot of work underway with a lot of activity and a lot of coordination of assets, which is working well.

If we move around the globe then, in Africa, we are coming to the end, as Jean says, of our CLOV activity. We have still some work to tidy up even after first oil, so that's coming to a conclusion. We will be working on Erha toward the end of the year, and we'll be working on the Lianzi Field towards the end of the year in Africa. In the Gulf of Mexico we have two projects for the *Seven Navica* to do, as well as one project for the *Seven Borealis* to do at the back end of this year in the US Gulf. We have Mexico; we will tidy up L60 and L67 before the year is out. And we are then looking at Brazil, where it's PLSV work pretty much all the way through with the exception of concluding Guará-Lula. And then if we go down to Asia-Pacific, we have to do a lot of work on Gorgon Heavy-Lift and Tie-Ins which is progressing well for us at the moment. But there's still a significant workload in quarter three and quarter four. So that, in a nutshell, is how the year plays out for us.

Jean Cahuzac: And regarding 2015, it's a bit too early in the year to be more specific.

Fiona McLean: Just going back to the Mexican projects that you're currently executing, can you just give a little bit more detail as to why you were exposed to additional costs because of a third-party asset?

John Evans: We have two projects in Mexico, L60 and L67. They're made up of different packages of work, EPIC procurement of a pipeline system on both projects, which we have done and completed. We also have spools and tie-ins installed which hooks up the pipelines to the platforms, and we have some platform modification activity to do on the top sites.

The pipeline activity has gone well for us. What has taken us substantially longer is to get access to the platforms to do the tie-ins. The tie-in work is underway at the moment, but we also have an accommodation vessel, which is a third-party vessel that we chartered in to act as a floatel. A couple of accommodation vessels allow us to do the topsides activities, where we have a large number of people working on the topsides doing modifications of piping and such like, very similar to the work that we do every day in Nigeria and in Angola. The third-party asset that we rented had a substantial breakdown in the quarter. We have chosen to replace that with the *Seven Polaris*. The *Seven Polaris* is purely there as an accommodation vessel to allow us to put people onto the platforms. So that's the reason we employed the third-party assets, and therefore then we replaced that asset with our own assets since we had a gap in the *Seven Polaris* workload.

Jean Cahuzac: And the last point on this project, as we mentioned, we have some delays on the project because of interference with the activity of Pemex. We're taking a prudent approach there and we all recognise the cost. We obviously are in discussion with Pemex for some claims on this – on the delays that they induced. So we're taking a prudent approach on this project.

Fiona McLean: Okay. Thank you very much.

Operator: Thank you. Our next question comes from the line of Peter Testa of One Investments. Please go ahead.

Peter Testa: Thank you for taking the question. Just on the order intake, you talked about the escalation of orders as being an important component. I was wondering if you'd give us some sort of understanding as to how important the escalation was in the order intake and the extent, when looking at your business – the extent which there's still further opportunity for that to come through this year?

Jean Cahuzac: I wouldn't extrapolate numbers of, you know, the split between order intake on VOs and small jobs to every quarter. It comes and goes depending on every quarter. It's not a new phenomenon. We had that in the past year and we expect to see that in the future, but it will smooth itself. So it's part of our business, and it shows that we are successful in getting additional work because our customers are pleased with what we execute. To actually have – to give you numbers that you will be able to extrapolate quarter to quarter - is very difficult.

Peter Testa: Can you give us some sense of how substantial it was this quarter, then?

Ricardo Rosa: If I can reiterate some guidance that we have given in the past on the unannounced element of our order intake, as Jean has said, it can be lumpy in the same way as order intakes for the big SURF projects is lumpy. We've looked back across a number of years, and very roughly we've averaged, throughout the cycle, approximately $500–600 million per quarter. But again, it's lumpy. But I hope that that gives you some indication of the sort of assumptions you should make going forward.

Peter Testa: And then just to sort of cut through some of the other questions to the point being addressed, is that there's a lot being written about the 2015 E&C backlog, comparing it to different phases last year. You've made good progress this quarter. It is still lower. I was wondering if you could give us some sense as to how you perceive the opportunities to fill the non-PLSV E&C backlog, please, for 2015?

Jean Cahuzac: Well, you know, the way I look at it – if you look at where we are at the end of Q2 compared to where we were a year ago, the backlog that will have to be executed for next year is in line with what we had a year ago. The backlog that we have to be executed from next year is in line with what we had a year ago to be executed in '14. It was about $4.1 billion in Q2 '13. It's three – a bit more than 3.8 in Q2 '14, which represents, I think, about 55% of what the street evaluation of next year's revenue is. These numbers are not unusual. I mean, they are in line with last year.

The question is what will happen in the next six months, and I would just refer to my comment before. There is uncertainty on the timing of project awards, both in Conventional and SURF, and depending upon what happens in the near future will dictate what the revenue will be in '15. We said it's a bit too early to comment on that; we will be more specific later this year.

Peter Testa: Sorry, but to stop you, on the $3.8 billion, I think you have the pipe lay order in this year which you did not have at this stage last year. So there is still something to do, and I'd just maybe press you a little bit to try to understand as to where you see the immediate opportunities to come, to the extent to which -- given your strict order recognition, for example, do you see a lot that's in LOI, ready for financing, awaiting final signature, which is important? Do you see particular orders where you've got a firm view on the short-term decisions? Where do you see this coming from?

Jean Cahuzac: I propose that we provide you with information offline and then clarify the situation of the PLSVs. But the PLSV didn't impact the numbers that I just mentioned, the $3.8 billion versus the $4.1 billion.

Regarding the LOI and the rest, as you can imagine, we are in discussion with a number of projects, but we don't comment on this commercial discussion. And experience has shown that until a contract is signed, it's very premature to make any assumptions on what will happen. And that's why we are very strict on our order intake, and I think it's the right thing to do.

Peter Testa: Yes, thank you.

Ricardo Rosa: Let me reiterate Jean's comments. There is no order intake relating to the Brazilian PLSVs in 2014.

Peter Testa: Relating to 2015 obviously, that $3.8 billion for 2015 execution, doesn't that include some PLSV business?

Ricardo Rosa: There is PLSV business for execution clearly in 2015, yes.

Peter Testa: But it's not in that $3.8 billion for execution in 2015?

Ricardo Rosa: Yes, there is.

Peter Testa: Okay, it is. So it's comparing to the $4.1 billion that did not have that number.

Ricardo Rosa: The $4.1 billion had some of this number, in particular with the *Seven Waves*.

Peter Testa: Yes, okay. Well, thank you. We will look forward to the orders.

Operator: Thank you. Our next question comes from the line of Amy Wong of UBS. Please go ahead.

Amy Wong: Hi. I appreciate you can't give any specific guidance on 2015, but could you at least give us some insight into when you start your budgeting and scheduling cycle for 2015; when you are going to finalise that? In terms of like, you know, in the calendar year, so we can get a sense of when you'll be ready to communicate that to the market?

And I have a question also on Guará-Lula: just how much revenues were related in the quarter to Guará-Lula and how much is left in the backlog to be executed? Thanks.

Jean Cahuzac: Ricardo, do you want to elaborate on our budgetary process?

Ricardo Rosa: Traditionally, we have provided guidance on the following year, when we discuss the quarter four results, which is early in the New Year. We have on an exceptional basis provided earlier guidance in the review of the third quarter. Obviously, mindful of the questions we are getting from our investors and analysts about 2015, Jean has made it clear to the extent we have improved visibility in the second half of this year. We will share that improved visibility with our investors. Our budget process kicks off very shortly and that is a very detailed bottoms-up process which allows us to identify additional opportunities and to quantify them with improved accuracy. So, give us a chance to do that and we will see what we can provide as part of our Q3 earnings release. Failing that, at the very latest it will be early next year. That's as regards the guidance for 2015.

Jean Cahuzac: Regarding the Guará-Lula project, the revenue in 2014 is around $350 million and where we are today there is about $160–170 million to be executed.

Amy Wong: Okay, can you give me the Q2 revenue number for Guará-Lula?

Jean Cahuzac: We are not really reporting on a project by project basis every quarter.

Ricardo Rosa: I think what we indicated was that we would be targeting approximately $350 million to be executed in the course of this year. I think you can assume that, you know, we have executed roughly half of that in the course of year to date.

Jean Cahuzac: Q1 – yes. Q1 and Q2.

Amy Wong: Great, that is very helpful. Thank you very much.

Operator: Thank you. Our next question comes from the line of Rob Pulling of Morgan Stanley. Please go ahead, your line is now open.

Rob Pulling: Just two follow-on questions from myself. First of all, obviously, a lot of focus on that order intake number, and obviously, from your press releases, we knew about $700 million of it and $850 million of it was somewhat unannounced, albeit you normally have some of that.

Could you give us an idea or a bit of a steer for us in terms of the comparable margin between the call-off of those framework agreements, Life-of-Field work versus, say, the SURF work which we're more aware of? And the purpose of that question relates to the high proportion of unannounced contracts: is this be something we should worry about for future profitability?

And the second question, and I appreciate there's a lot of uncertainty because Chevron's in the driving seat, but is it fair to say that the award or not award of Gendalo is really a binary event which dictates how 2015 looks?

Thanks very much.

Jean Cahuzac: I think I'm going to answer on Gendalo Gehem and I will let John comment on the first part of the question. Gendalo is a binary event as far as Gendalo is concerned, obviously. If Chevron goes ahead, I think it is common knowledge that we have won the contract; if Chevron was not to go ahead then we would see a repeat in probably next year. It is not binary in the sense of '15 because there are other projects which are being discussed and which could materialise allowing for timing and uncertainties, as we mentioned before. That is why we are not in a position to comment on '15 because we are obviously watching Gendalo, but it is not the only project that we are targeting, as you can imagine.

Rob Pulling: Okay, that is very clear. Thanks Jean.

John Evans: Okay, coming back to you on unannounced, just so we are clear: as we tried to clarify a bit earlier it is a mixture of call-offs but also variation orders under our SURF contract and smaller projects below $50 million, and those projects are a mixture of Life-of-Field but also some small construction work. So again, I think the question on margins there Rob is hard to put a single number on top of each one. It's a mixture, and as Jean says it is as lumpy as our backlog comes in generally; it depends which projects we have, it depends what is coming through and where we settle. So it is important to remember it is a mixture of the three.

Rob Pulling: Okay, thanks. Maybe talk to you guys offline about the different profitability, but thank you very much.

Operator: Thank you. Our next question comes from the line of Mukhtar Garadaghi of Citigroup. Please go ahead, the line is now open.

Mukhtar Garadaghi: Good afternoon gentlemen, just a couple of quick questions from me. Some of your competitors have been communicating a tougher approvals process for variation orders; have you been seeing the same in terms of the new work you have been doing? And secondly in terms of the mix of SURF versus life-of-field projects, how is that evolving in 2014 so far and does it have any implications for the margin outlook especially for the North Sea? Thank you very much.

Jean Cahuzac: Talking about the approach of our customers, when we talk about the variation orders on work which is added to the project I wouldn't say that things have changed significantly compared with the past. It is always a case of commercial discussion and I think we are aligned with clients almost all of the time, and sometimes it takes a bit more time, but things have not really changed there. What could change on variation orders, that is to say if the clients were to put pressure on Capex, you could have fewer variation orders on discretionary work, but that has nothing to do with the fact that they are tougher on discussion of variation order.

What we are seeing is some clients pushing at the tender stage the risk – or trying to push the risk towards the service company as far as the terms and conditions are concerned. We are very vigilant with that; I mean, we haven't changed our approach, and taking this approach we are still successful in winning contracts. We did not want not to increase the risk profile of the contract at the tender stage. Regarding the way we work with our clients, I would say we work very well with our clients and I would not identify as a concern the negotiation of variation orders for work which has been agreed.

Mukhtar Garadaghi: Okay, thank you, and on the mix of the portfolio for Life-of-Field?

Jean Cahuzac: I think we'd see in the future a similar mix of portfolio. I would say, generally speaking, we might expect an increase in the years to come of the amount of Life-of-Field work coming to us as we see clients increasingly spending budgets on the Opex side, and as some fields which have been developed in the past, become mature and require more Life-of-Field intervention.

Mukhtar Garadaghi: And just a quick follow-up, just on that contractors – sorry, contractors being pushed to take on more risk, was that a component of why your intake of larger projects in the first half of this year was slightly lower compared to some of your competition, or is that other factors? Thank you.

Jean Cahuzac: No, it had no impact on what happened over the last year. I would say the impact that it had is in Brazil, where we have been very clear that we will not commit to pre-salt work with what we perceive as a wrong risk profile. Outside of this particular area, or outside of this specific client, we have always been able to agree with the client acceptable risk profiles on the contracts we have signed and we haven't closed down a job because of that.

Mukhtar Garadaghi: Thank you.

Operator: Thank you. We have time for one more question. It is from the line of Dave Thomas of Credit Suisse. Please go ahead, your line is now open.

Dave Thomas: Yes, good afternoon. Jean, a question for you, please: you say in the release that because of strong performance, strength of balanceof sheet, confidence of your business, the Board is authorising the further share repurchase programme. But surely if you are very confident about the future, would you not be looking for a sustainable dividend policy? That would surely be a very strong steer to the market. Could you comment on that please?

Jean Cahuzac: I would say the position of the Board has been very clear, regarding to the first part of your question. Any excess cash flow that we have generated or we believe we will generate in our future will be returned to the shareholders after we have reviewed investment opportunities on business with the right return. Regarding the dividend, we have not declared or announced a regular dividend policy. However, we have been paying in a regular manner $200 million every year for the last three years, which I think shows the commitment of the Board again to deliver excess cash flow either in dividend or share buyback or both.

Dave Thomas: Yes. I hear what you are saying, but it is just that your competitors have a sustainable dividend policy and it is usually just a very good steer to the market of your confidence in the business model and the future. I understand you have had very good cash distribution historically, it is just how you want to message it to the market. But thank you for your answer anyway.

Jean Cahuzac: Thank you. I think that we've come to the end of the session. I would like to thank everybody for your participation and look forward for the discussion in the next quarter. Thank you. Bye.

Operator: Thank you. That concludes our call. Participants, you may disconnect your line.