Subsea 7 S.A. Fourth Quarter & Full Year 2010 Results

Wednesday February 23, 2011

Speakers

- Kristian Siem - Chairman
- Karen Menzel – Investor Relations Director
- Jean Cahuzac – Chief Executive Officer
- Simon Crowe – Chief Financial Officer

Operator

Thank you for standing by and welcome to the Subsea 7 S.A. Q4 and full-year ’10 results conference call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time, if you wish to ask a question, you will need to press star one on your telephone. I must advise you all that this conference is being recorded today, Wednesday 23rd February 2011. I would now like to hand the conference over to your first speaker today, Karen Menzel. Please go ahead.

Karen Menzel

Thank you and good afternoon. Joining us on the line today are Kristian Siem, our Chairman, Jean Cahuzac, our Chief Executive Officer, and Simon Crowe, our Chief Financial Officer. Today’s earning release contains fourth-quarter and full-year results for Subsea 7 S.A, formerly Acergy S.A. for the year ended November 30 2010, and fourth-quarter and full-year results for Subsea 7 Inc. for the year ended December 31 2010.

This release can be found on our website along with the presentation slides we will be using during the call. Before we start the presentation, may I remind you that certain statements made in the course of this conference call which express the company’s intentions, beliefs and expectations, are forward-looking statements within the meaning of the US Federal Securities laws. Actual future results and trends could differ materially from those which are in such statements due to various factors. Details of these can be obtained from time to time in the company’s SEC filings, including the company’s Annual Report on Form 20-F. Copies of these filings may be obtained either from our website or from the SEC.

May I also draw your attention to the more detailed disclosure on the forward-looking statements that appears in today’s announcement? Today’s call will run for one hour and with that, I’ll hand over to Kristian.

Kristian Siem

Thank you, Karen. Good day, ladies and gentlemen. I can report that the merger which we closed on January 7 has been well received by clients and by our organisation. From communication with our larger clients, we frequently receive confirmation of the importance of size and ample resources to meet the future market of increased size and complexity of projects.

Senior management is already working as one team. The challenge now is to capture the synergies without allowing the many changes causing higher operating risk. With that introduction, I hand over to you, Jean.

Jean Cahuzac

Thank you, Kristian, and good afternoon to everybody. I would like to reflect briefly on the year and our achievements and then Simon will run through our financials. And before we take your questions I will make some observation on the markets and the recently completed combination. We have today published results for the fourth quarter and full year of 2010. In today's announcement you have firstly the results of Subsea 7 S.A., formerly Acergy S.A., secondly, the results for Subsea 7 Inc. As completion occurred post these balance sheet dates, we will, as expected, present the results separately.

Throughout this call, we will refer to 'Acergy' or 'legacy Subsea 7' in relation to the companies prior to completion and Subsea 7 or the Group for events since completion.

So, reflecting on 2010, both companies have had an excellent year and delivered great results driven by strong operational performance and that was helped by the expertise and professionalism of our people both onshore and offshore. When looking at both company results, the results were positively impacted by a number of factors. Just to name a few; execution of contracts signed prior to 2009 with good profit margins, the signing of operation on projects such as PazFlor going offshore during the fourth quarter, Block 31 utilising Seven Seas and Block 18 gas export line, all of which performed strongly.

There results were also impacted by the continuous trends of conventional activity in West Africa and the successful completion of commercial negotiation during the fourth quarter on the Marathon Volund Project and the Mexilhao Project in Brazil, which has now been completed.

When I look at 2010, it's clear that 2010 has been an excellent year. We have done more than delivering good results. We have also prepared for the future and we are very well positioned for short and long-term profitable growth. We have achieved a lot during that year. Our safety results have continued to approach – to improve, sorry. We have announced the combination of two strong companies. We have continued to upgrade our fleet through new builds and acquisitions and we have built $6.3 billion backlog for the combined two companies at the end of December 2010; all that supported by a strong balance sheet.

We'd like to have a few words on our fleet at the end of 2010. Our investment has been focused on core assets, vessel with high technical specification. Looking first at Acergy, this is mostly hidden in the acquisition of the *Borealis* late 2009 but also in the significant upgrade and announcement of the Polaris and the more recent acquisition *Antares*, *Polar Queen* and *Pertinacia*.

I was recently in Singapore, where I visited the *Borealis*. It's easy to forget the size and scale. She's truly an impressing vessel who is expected to provide unprecedented flexibility and capability. Shipyard is progressing well and she is on track and on budget to join the fleet in the first half of 2012. Through discussion with clients, there is a significant interest for the services and capabilities the *Borealis* can offer.

We are making good progress on joint venture on new build. The *Seven Havila*, our new-build diving support vessel, and the *Oleg Strashnov* a second heavy lifting vessel for SHL and delivery of this vessel will happen in H1 2011. In fact, we have announced the *Seven Havila* which has been completed today.

The new build *Antares* has also started operation in Nigeria in the fourth quarter. Pipe-laying equipment is now being installed in Africa. In 2010, legacy Subsea 7 also achieved key milestones, completing a five-year, $1 billion fleet enhancement programme with the delivery of the *Seven Atlantic*, a state-of-the art diving support vessel dedicated to our Shell North Sea Life-of-Field framework. And *Seven Pacific*, a flexlay and construction vessel. Both vessel are fully operational and are working now.

Our strategy for the new company remains the same. We remain focused on key markets with long-term, strong and sustainable growth characteristics. Markets where we can differentiate ourselves, markets where we can achieve profitable growth through adding value for our customers. Our priority for the new company remains the same; focus on safety, maintain discipline in our tendering processes that has been the characteristic of both companies, continue to announce our engineering and project management expertise and our knowledge management and control. It's all that that has allowed us to deliver great operational results and quality projects to our customers over the last few years.

We also will continue to optimise our cost without impeding our ability to grow profitability. Training and developing our people will remain a key priority. We want to continue to develop our local content through partnership with reliable local companies and to focus on recruiting talent that reflect our geographical development and ambition around the world; in West Africa, Brazil and other countries. And, of course, integrating the two companies and achieving targeted synergy will be one of our top priorities.

And with that, I will hand over to Simon to run through the financials.

Simon Crowe

Thank you, Jean. Good afternoon to you all. We have today published the stand-alone results for the fourth quarter and full year for Subsea 7 S.A., formerly Acergy S.A. and Subsea 7 Inc. I will comment on the Q4 and full-year P&L cashflow and the balance sheet for Acergy and then review legacy Subsea 7 in the same way. I'll then conclude with some remarks about the combined business.

It should be noted that the two legacy companies had different year-ends, with Acergy reporting at November 30 and legacy Subsea 7 at December 31. There are also some differences in accounting policy, which were highlighted in the prospectus dated September 21, 2010 and we anticipate that this alignment will have no material alignment in 2011.

Turning first now to slide number eight and the Acergy Q4 numbers, revenue for continuing operations for the fourth quarter was $717 million, compared to $622 million for Q4 2009, primarily reflecting strong activity levels in West Africa and the North Sea, partially offset by lower activity levels in Brazil and Asia Pacific.

Gross profit was $232 million, compared to $157 million for Q4 '09, reflecting strong project execution across the portfolio and project settlement, partially offset by lower vessel utilisation. Admininstrative expenses were $93 million, compared to $67 million for Q4 '09, reflecting higher tendering costs, higher professional fees arising from the combination, and costs arising from legal restructuring and organisational optimisation.

Acergy's share of results and associates of joint ventures was $15 million, compared to $14 million in Q4 '09, reflecting a good contribution from SapuraAcergy and a good, albeit lower, contribution from NKT Flexibles. This was partially offset by a small loss from Seaway Heavy Lifting, arising from the *Stanislav Yudin* being in planned dry dock for the quarter.

The Adjusted EBITDA margin from continuing operations for the three months was 25%, compared to 26.3% in Q4 '09. The Adjusted EBITDA margins from total operations for the three months was 28.9%, compared to 25.9% in Q4 '09, reflecting the successful settlement on the Mexilhao Project. Income before taxes from continuing operations for the fourth quarter was $139 million, compared with $119 million for Q4 '09, reflecting the increase in revenue from higher activity levels in West Africa and the North Sea, strong operational performance and a good contribution from associates in joint ventures, partly offset by higher admin expenses.

Taxation for the quarter was $45 million, compared to $40 million for Q4 '09, giving an effective tax rate for the quarter of 32.4% versus Q4 '09 of 33.9%.

Income from continuing operations for the fourth quarter was $94 million, compared to $79 million for Q4 '09. Net income from total operations for the fourth quarter was $124 million, compared to $81 million for Q4 '09. Diluted earnings per share for continuing operations was 42 cents per share, versus 39 cents per share for Q4 '09. And diluted earnings per share for total operations were 57 cents per share, versus 40 cents per share for Q4 '09.

Staying on slide number eight but now focusing on the full year ending November 30 for Acergy, revenue from continuing operations for the fiscal year was $2.4 billion, compared to $2.2 billion for 2009, reflecting strong activity levels in West Africa, good activity levels in the North Sea and partially offset by lower activity levels in Brazil, Asia Pacific and the Gulf of Mexico.

Gross profit for the fiscal year was $668 million, compared to $525 million for 2009, reflecting higher activity levels and strong project execution across the portfolio, partially offset by lower vessel utilisation.

Admin expenses for the fiscal year were $307 million, compared to $231 million for 2009, reflecting higher professional fees arising from the combination, ongoing legal restructuring and organisational optimisation, and higher tendering costs.

Acergy's share of results of associates and joint ventures for the fiscal year was $75 million, compared to $49 million for 2009, reflecting strong contributions from Seaway Heavy Lifting and SapuraAcergy and a good, albeit lower, contribution from NKT Flexibles.

The Adjusted EBITDA margin from continuing operations for the fiscal year was 23.6%, versus 22.1% for '09. The Adjusted EBITDA margin from total operations for the fiscal year was 25.2%, versus 21.7% in '09.

Income before taxes from continuing operations for the fiscal year was $399 million, compared to $361 million in '09. This reflected higher activity levels, particularly in West Africa, strong operational performance across the project portfolio and a strong contribution from associates and joint ventures, partially offset by lower utilisation and ongoing margin pressure due to prevailing market conditions in the North Sea.

Taxation for the fiscal year was $131 million, compared to $103 million in 2009, giving an effective tax rate for the fiscal year of 32.8%, versus 28.4% in '09. The effective tax rate for the fiscal year '09 was impacted by a net provision release relating to the resolution of a number of ongoing audits.

Income from continuing operations for the fiscal year was $268 million, compared to $259 million for 2009. Mexilhao successfully completed the outstanding contract negotiations and the project is now complete. This produced a net income from total operations for the fiscal year of $313 million, compared to $266 million for '09. Diluted earnings per share for continuing operations were $1.16 per share, versus $1.29 per share for '09. And diluted earnings per share for total operations were $1.38 per share, versus $1.33 per share for 2009.

Turning now to slide number nine, the Acergy cashflow, the net cash generated from operating activities was $140 million. The negative $185 million working capital movement can be explained by the following items; a $50 million due from insurance claim arising from the *Falcon* fire which occurred early in 2010, $75 million primarily relating to an increase in trade receivables and unbilled amounts due to the high levels of activity in Q4, and a decrease in payables.

Investing activities accounted for $493 million, which mainly related to the ongoing construction of the *Borealis*, as well as the purchase of the *Antares*, the *Polar Queen* and the *Pertinacia*. Financing activities accounted for an outflow of $85 million, which was made up of the dividend payments to shareholders, interest costs on our borrowing, and arrangement fees relating to our new $1 billion facility.

Legacy Acergy finished the year with $484 million of cash on the balance sheet.

Turning now to slide number ten, the Acergy balance sheet, the increase in property, plant and equipment relates to the *Borealis* and to the purchase of the three vessels already mentioned. Sonamet remains an asset held for sale and we expect a complete sell-down of the 19% of our holdings – excuse me – 19% of our holding by Q2 ’11. This will take us from a holding of 55% to 36%.

Equity increased by $160 million to about $1.3 billion, mainly due to movements in retained earnings with some impact flowing from movements in the translation reserves.

Turning now to slide number 12 and the Q4 results for legacy Subsea 7 for the period ending 31st December 2010, revenue for the fourth quarter was $509 million, compared to $538 million for Q4 ’09, primarily reflecting reduced activity levels in Asia Pacific and North America, offset by an increase in activity in Africa as a result of BP’s Block 18 gas export line project and Block 31 projects being in their offshore phases.

Net operating profit was $43 million, compared to $96 million in Q4 ’09. This decrease is partially, partly due to overall market conditions and is also impacted by the coating issues on the Petrobras P56 and P55 projects during the quarter. The Adjusted EBITDA margins from operations for Q4 was 15.9%, versus 24.3% for Q4 ’09. Net financial expense was lower, at half a million dollars compared with, to US, to $6 million for Q4 ’09, which primarily relates to gains on the fair value of derivative financial instruments.

Taxation expense was $12 million, compared to $27 million for 2009, which equates to an effective tax rate of 27.9% Q4 ’10, compared to 29% for Q4 ’09. Net profit attributable for equity shareholders was $31 million, compared to $64 million for Q4 ’09. Diluted earnings per share were 21 cents per share, versus 42 cents per share for Q4 ’09.

Staying on slide number 12 and moving to the results for legacy Subsea 7 for the full year ended 31st December 2010, revenue for 2010 was $2.2 – excuse me – $2.02 billion, compared to $2.44 billion for 2009. The decrease in revenue was mainly due to reduced activity levels in Brazil during 2010 compared with ’09, during which there was a number of significant projects in their offshore phases, including Shell’s BC 10 development. In addition, there were lower levels of activity in North America and the North Sea during 2010, compared to 2009. This was offset to some extent by an increase in activity in Asia Pacific and Africa.

Net operating profit was $291 million, compared to $404 million for ’09. This decrease in net operating profit is partly due to overall market conditions and is also impacted by the fact that there were fewer projects in their offshore phases during ’10 as compared to ’09.

The Adjusted EBITDA margin from operations for the full year was 21.1% versus 21.6% for ’09. Net financial expense for 2010 was $53 million, compared to the net financial income of $1 million for ’09. The main reason for the difference was the net loss in the fair value for derivative financial instruments in ’10 of $3 million, compared to gains of $48 million in ’09.

Taxation expense for the year ended 31st December ’10 was $78 million, compared to $124 million in ’09. This equates to an effective tax rate of 32.4% in ’10 versus 30% in ’09.

Net profit attributable to equity shareholders for 2010 was $162 million, compared to $288 million in ’09. This gave diluted earnings per share of $1.09 per share versus $1.94 per share for ’09.

Turning now to slide number 13 and the legacy Subsea 7 cashflow, net cash generated from operations was $274 million. The negative $145 million working capital movement is mainly due to the increase in unbilled accounts and trade receivables for the quarter. The ongoing capex programme included the completion of the *Seven Pacific* and this amounted to a $208 million outflow, and the sale of shares and debt securities held in Acergy S.A. netted $173 million cash inflow.

The retention of the convertible notes during the year accounted for about $159 million of outflow. Legacy Subsea 7 finished the year with approximately $459 million of cash on the balance sheet.

And turning now to slide number 14 and the legacy Subsea 7 balance sheet, equity increased by about $162 million to $1.35 billion, mainly due to movements in retained earnings, with some impact flowing from movements in other reserves.

Finally, I’d like to say a few words about the combination. As Jean has indicated, we’re on course to integrate the two companies and I’m very pleased with the work being done. We expect to move onto a common SAP financial system by the first quarter 2012 and are working hard to realise synergies as soon as possible. We had a combined backlog, as of December 31st 2010, of $6.3 billion, which gives us a very good base for growth. The balance sheet is robust and our banking lines and convertible bonds are well suited to the near-term opportunities.

We have recently cancelled the undrawn legacy Subsea 7 revolving credit facilities totalling $250 million and are using the $1 billion cash and guaranteed facilities to service our business needs going forward.

In accordance with its terms and conditions, the $300 million, 2.8% June 2011 bond will either convert into shares or be repaid by June 2011. We are well prepared for either the repayment of the $229 million outstanding or conversion into shares.

The Board has decided not to propose a dividend at this time and we continue to analyse our future cash generation opportunities and investment needs. In light of the low trading volumes in our shares on NASDAQ, we recently announced the decision to delist from this exchange and deregister from the SEC. Going forward, we will continue to be very focused on the high standards of compliance and control.

For 2011 our combined capex and dry dock requirements will be approximately $550 million. This is made up of about $220 million to finish off the *Borealis*, approximately $180 million on dry docking and standard vessel and equipment capex, approximately $80 million to finish off three smaller investments, namely the *Havila*, the *Antares* and the i-Tech ROVs for the Petrobras contract, plus a number of potential investments of approximately $70 million. Our depreciation figure for the year should be around $280 million.

In conclusion, both companies delivered a strong set of full-year 2010 numbers. We have a robust balance sheet and are conservatively geared. We are well positioned to win work and realise synergies and we remain committed to delivering solid returns for shareholders.

And with that, I'll now pass back to Jean.

Jean Cahuzac

Thank you, Simon. Turning now to the market and what it means for Subsea 7 for 2011, the first point I want to mention is that we have no planned operation in North Africa in 2011 and therefore we do not expect any adverse impact from the present political unrest that we can see there.

Looking at the markets, starting with the conventional market, conventional activity in West Africa is expected to remain strong in the short and medium term. We expect more large contracts to come to market award in 2011, although exact timing remains difficult to predict as Nigeria presidential election will take place in Q2.

Going to the SURF market, a robust oil price and rising tendering activity around the world underpins order book momentum. Execution and activity levels are expected to rise although contracts signed in more challenging market conditions will impact negatively the Group's Adjusted EBITDA margin in 2011.

In the North Sea we are seeing renewed activity, albeit the pricing environment for short-term work will still remain competitive. A number of large SURF contracts in Australia, Brazil, West Africa and other countries are still expected to come to market award in 2011. The offshore installation phase of these new projects will come beyond 2011. We see clear signs that the trend will be for subsea projects to continue to increase in size and complexity, which will contribute to stronger industry growth in the business segments in which we participate.

Turning to the combination, we completed the combination of Acergy and legacy Subsea 7 on January 7, at which point the Company was remained Subsea 7 S.A. We are working with the OFT in the UK and are making progress on the remedies required. I am very pleased with where we are with the merger. We had a very good start. I have visited a number of clients around the world and feedback remains very positive.

It's also clear that the combination announcement has created a lot of enthusiasm with our people, in particular those who work in engineering and project management. I'm not underestimating the challenges that any merger creates; People uncertainties regarding their own role in the company, additional workload and people stress, to name a few of them. But I believe that the approach we have taken, i.e. to keep things simple, adopt processes from either legacy company, not create a third way of working, define clear objectives and accountabilities, will ensure that we succeed.

Six weeks after we completed the combination we are on track with our integration. You will recall that at the time of announcing the combination, we indicated that we expected to deliver yearly a run rate of at least $100 million of synergies by 2013. We have put in place our plan and while this is still early days, we are on track to deliver our objective.

So in summary, we had an excellent year in 2010, we are on track with our integration plan and very well positioned to capture opportunities in a growing market. And with that, I will now turn to your questions.

Questions and Answers

Ian MacPherson - *Simmons and Co*

Thanks. I guess my first question would be with regard to, I guess, the more oil-price-sensitive basins such as the North Sea where you're seeing activity improve. What is your outlook for the possibility of margin improvement? You know, you're still calling it competitive, i.e. the margins probably aren't fantastic. What do you think the possibility is for that to evolve over the course of this year given that it's typically a little bit shorter-cycle and could be more price-responsive with a good backdrop as we have today?

Jean Cahuzac

We clearly think, see things improving. we started to see last year a significant improve, increase in the number of tenders for the North Sea. That starts to be materialised in new contracts which will trigger a higher utilisation and will lead to an improvement of the margin.

One of the characteristics of the North Sea market is that projects can be launched very quickly by operators and therefore things can improve faster than in other parts of the world. When we refer to pressure on margins in the North Sea, they are contracts awarded last year to be executed this year but clearly, the market is improving.

Ian MacPherson - *Simmons and Co*

Okay. And then just a quick follow-up, Jean. I know obviously it was not scripted to speak definitively about margin guidance for this year but when you weigh the moving parts in terms of integration costs and synergies and sort of, you know, the market moving, the market margin evolving as well, can you give us any more direction as to how you think the direction and magnitude of margins plays out this year?

Jean Cahuzac

You know, last year, during the last earning call, I said that we will not be in a position, we will not be giving numerical guidance for 2011 and I'm still in the same position. We acknowledge the need for the investment community to have access to relevant information on a timely basis and we will continue to comment on our view on the market outlook and the potential impact that it could have on our business. But we will not give numerical guidance for 2011.

Ian MacPherson - *Simmons and Co*

Okay. Well, I'll pass it over. Thanks.

Pal Dahl - *First Securities*

Yes, thank you. Just a couple of questions. I know you won't give guidance numerically for next year but could you shed some light on what we should expect on contribution in joint venture this year and the magnitude of integration cost?

Jean Cahuzac

Regarding the joint ventures, you know, what we said is that we're not giving specific guidance on the joint ventures. The joint ventures are in the same cycle as we are so contracts awarded pre-2010, and in 2010 in some cases were lower margin and we see the market improving as we see it improving for Subsea 7.

The Gumussut Project with our joint venture SapuraAcergy is, very successful and, but the operations will be in 2012/2013. So overall, the comment that I am making for Subsea 7 applies to our joint ventures.

Regarding the integration costs, we said that we expect to have full synergies impacting in a positive way on the bottom line as from 2013 and we indicated the $100 million. There will be, obviously, integration cost and merger cost in 2011. We are reviewing in detail these budgetary figures and obviously we'll do everything we can to minimise them but we are today, I'm not going to give you any exact figures.

We indicated in the past something in the range of $100 million and I hope to do better than that.

Pal Dahl - *First Securities*

Okay. I'm sorry?

Simon Crowe

No, it's Simon here, just to say we're working hard on the budget and we've only been merged for a few weeks now and we're building up the picture.

Jean Cahuzac

But I think what is very encouraging on this integration is that we've been able to build a management team, I mean, from day one. We're working very efficiently and the way to lower this integration cost is to move faster on a number of projects and that's really my priority today and that should allow us to optimise integration costs.

Pal Dahl - *First Securities*

Definitely. Just my final question here; how should we look on Subsea 7 and the subsea installation market in a two/three years' perspective? You mentioned yourself strong growth in the medium term. Can you shed some more light on that, please?

Jean Cahuzac

What we are looking, the way I look at the market is that we see a lot of opportunities around the world coming in the coming years and that the market is becoming more and more global. The projects are becoming technically more challenging and, in a lot of cases, larger. Our clients have, I think, probably even more than in the past, raised the bar in terms of the need for reliability and quality.

So we are in a growing market and the new Company, because of the size, because of the resources that we have in engineering and project management, is uniquely positioned to take advantage of opportunities.

Development and focus in deepwater and offshore from the companies, from the oil company is obvious and in line with I was saying back before, I think we see more and more companies talking about partnership to achieve their goals of cost-efficiency and quality. And that's where, as Kristian mentioned in his introduction, the new size of the company, the new expertise of the Company will be a big plus.

Fiona MacLean - *Merrill Lynch*

Thank you, yes. It's Fiona calling from Merrill Lynch. I have a couple of questions, firstly on execution. Could you give us an indication of when you started having these problems with the pipes in Brazil and exactly what the problems were and if there's a specific issue on these two projects or, you know, is there any other potential impacts that we should expect in that region?

And secondly, on the Marathon Volund project, could you just confirm the amount of revenue that you actually did book in that project in the fourth quarter?

And then I've got a question on your convertible bonds as well. Can you just give a bit of clarification on the bonds within Acergy and Subsea 7? Is Subsea 7 now going to be the owner of those bonds in legal terms and do they both have equal rights for the holders?

Jean Cahuzac

Well, I am going to answer the first two questions and then I will let Simon comment on the bonds. You know, the, we mentioned the, some problems with the coating on P55, P56. Shouldn't be taken out of context and out of proportion. It's a problem that one of our suppliers had. We have, together with him, pretty well identified the problem. We are implementing the solution and the overall impact Subsea 7 will not be material. So I would say it's a project, it's a problem which is understood, it's not a large problem and it's under control. And so I'm not worried at all with this. It's by no means identify a potential problem of execution overall with the company. It's these kinds of things which can happen.

Regarding the Marathon Volund settlement and the discussions, you will understand that for commercial reasons, we are not in a position to communicate any number on the settlement. We're very pleased that we came to an agreement with one our key customers and that's a positive sign.

Simon, regarding the bonds?

Simon Crowe

Yes. Fiona; hello, Fiona. As you know, we've got the three bonds out there; the two legacy Subsea 7 and the Acergy, a $500 million bond. And yes, they all have equal rights. There's some technicalities but they all do have equal rights.

Fiona MacLean - *Merrill Lynch*

Okay. Just going back to this Brazil issue, why do you not seem to think it's a big problem? You make a loss of $13 million in that region whereas your run rate in the previous three quarters has been anywhere between $12 million and $21 million. So it hasn't had a big impact on your profit line.

Jean Cahuzac

No.the overall result of Brazil doesn't come, mainly doesn't come from this particular problem. I think it shows, the example of Brazil show the difficulty that we have in this business to look at results on a quarterly basis. It's difficult to conclude anything from one quarter results. It's a question of timing of operations. You know, this coating problem has created some delays on the P55, which mean that – project which mean that the operation are going to happen later.

And you know that when, it's when we are in operation that profit hits the bottom line. And we also had two vessel which were undertaking class and maintenance dry-docks, which are the Kommander 3,000 and the Lochnager. So, this quarterly result, doesn't reflect our situation or doesn't represent our situation in Brazil, by any means.

Fiona MacLean - *Merrill Lynch*

Okay. And just last thing on this, why are you taking a hit on Brazil, then? If you're saying it's a supplier problem, surely the supplier should be taking the hit for you.

Jean Cahuzac

Yes, but as I said, I mean, the supplier's obviously going to pay for, to correct the problem of the coating and all that. But that has created some delays of the project so you are not seeing the completion of the project that we are expecting in Q4. That will happen in '11. So again, it's a question of timing more than anything else.

Fiona MacLean - *Merrill Lynch*

Okay, then. Thanks a lot.

Phil Lindsay - *RBS*

Yes, hi, there. It's Phil Lindsay at RBS here. Couple of questions; can you elaborate on the investment opportunities available to you that you referred to in the statement? I suspect this partly reflects the ongoing vessel tender in Brazil but what else are you guys looking at? And should we read between the lines that a dividend payment for 2011 is unlikely given the magnitude of investment opportunities that you see?

And then as a second question, just regarding the synergies, it sounds like you're making good progress on achieving these but can you shed any light on the kind of things that you've identified during the integration process so far that give you the confidence that this number will be significantly exceeded? Thank you.

Jean Cahuzac

Yes. We haven't given an indication as, by how much we will exceed the synergy. We're saying that, $100 million as a minimum and I believe that we will do better but we haven't any figures at this stage.

Starting with the synergies and I will come back on the investment question; When we identified the possible, the potential synergies of the merger, we looked at it from different perspective. We looked at it from cost reduction which is optimisation and headcount, and we have identified this and confirmed that we see opportunities regarding back-office re-organisation [and optimisation].

We also have already seen some examples of what can be done in terms of optimisation of the use of the fleet, avoiding transit between the different regions. We have started – and it's early days but we have started to see what we can do in terms of critical mass, negotiating with our suppliers, organisation of dry docks. And we also have example of how we think we can optimise the cost on existing projects by better combination of resource, eliminating the need to charter vessel outside, using our own vessels, but also optimising the whole schedule of the fleet.

And, you know, it's only six weeks but the team already have identified options, possibilities, a lot of enthusiasm, as I mentioned. I'm insisting a lot of enthusiasm because I think that's what is going to make us succeed in a structured manner.

And on tendering, we are going to have some saving on tendering because we have integrated the commercial organisation. And, you know, in the past we were duplicating a bit and today we're going to be able to optimise that. So it's a bit early to actually conclude and I'm not underestimating the challenge we have in front of us. But it's a good start, it's a very good start.

Regarding the investment, what the Board have concluded is that that's one of the top priorities for the new Company, was to review the combined business plan. And you know that because of competition law, we couldn't share all the information pre-merger so we are starting now to look at this combined business plan in detail.

And part of that will allow also to identify potential group investment opportunities. We are working on this. it's very clear that investment opportunities will be looked at from a return – I mean, financial return perspective and that we'll do what makes sense for the shareholders.

In parallel, so the management is working on that to make proposals to the Board. In parallel, the Board approach will be to review the optimal way to use of cash in light of the opportunities that are available to us. And that will allow to conclude on what to do in the future.

So there is a little bit of time and we have, we are a new Company and we merged only six weeks ago. A lot of opportunities in a growing market.

Martjn Rats - *Morgan Stanley*

Yes, good afternoon. I've got two questions, if I may. First of all, on the old Acergy, the old Acergy started the fourth quarter with $524 million in order backlog for execution in the fourth quarter but revenues came in obviously around about $200 million ahead of that. So it seems that Acergy acquired $200 million for execution in the same quarter and in the total context, that is a relatively large amount. And I was wondering whether you could comment where that $200 million in revenue in the quarter, for the quarter, suddenly came from and what the nature of that work was.

The other question that I wanted to ask relates again to margin, to the margins in 2011 and I realise you're somewhat reluctant to give any specific guidance on that. But I remember this time last year, the guidance for 2010 was pretty much exactly the same what it now seems to be for 2011, i.e. margins coming down as weaker margin projects come through as a result of the market deteriorating a little while ago. What is the probability that, like 2010, this never happens in 2011?

Jean Cahuzac

You know, as I said before, I mean, we are not going to give numerical guidance for 2011. And we are in a complex business. Timing of project is all, is difficult to evaluate and it's something which will remain the case.

Regarding the Q4 Acergy results, I think my comment is very similar to Brazil, except it's the other way round. I mean, it's very difficult to look at results from a quarter on a quarterly basis and that's why we're not giving guidance on a quarterly basis, by the way, because in fact, the Acergy Q4 results – you're right – I mean, have been very good. There are a number of reasons. First, if you look at a project like PazFlor but it's not the only one, the project has been ahead of schedule and we thought that some operations would take place in 2011. And actually, because our performance, they took place in 2010 in Q4, late Q4.

We've been, we had more activity in the North Sea than we initially thought.especially on the diving side. the vessels have been operating longer in the winter period and that's because the operator had not been doing a lot at the beginning of the year so they were probably catching up a bit. We had the successful completion of commercial negotiations that we mentioned before and we had a number of VOs and kept a strong activity on the conventional activity in Africa, in particular in Nigeria.

So again, better than what would be in Q4 but it's the kind of situation we see from one quarter to the other and there is some 2011 work which came to Q4 which could have happened a bit later.

Martjn Rats - *Morgan Stanley*

But on that, specifically on that topic, I understand that the earnings were, for a number of those reasons, were positively impacted. But my question was specifically about revenues and actually, it seems, specifically about revenues in the Afmed region. And perhaps the figure of $524 million of backlog at the start of the quarter for execution in the quarter might, in retrospect, have been too low as a result of, say, some scheduling issues on PazFlor or some other Afmed projects. Have there any been… Has some revenue been drawn forward from 2011 back into the fourth quarter of 2010, for example?

Jean Cahuzac

Absolutely not. I mean, what happened is that it's in the way we… When you look at our, the accounting procedure and how we recognise revenue, which is based on POC, we are able to recognise revenue when we actually reach a number of milestones. And the fact that the PazFlor operation occurred earlier than we initially thought, allowed us to recognise this revenue because we had reached some very well-defined milestone as per our accounting rules.

So it's not, it's basically linked to POC. If you take the PazFlor example. That's what it was.

Martjn Rats - *Morgan Stanley*

Okay.

Jean Cahuzac

I give PazFlor as an example but there were other projects, obviously.

Martjn Rats - *Morgan Stanley*

Okay. That's helpful. Thank you very much.

Christian Malek - *Deutsche Bank*

Yes, hi. Good afternoon, gentlemen. Two questions, if I may. The first is just coming back to Brazil and sort of some of the, you know, execution issues you've had. How can we be sure that the systemic problems that – or if you can call it that – aren't going to repeat themselves in Brazil? I know, obviously, there are scheduling issues but your peers have executed very well in the region and have arguably de-risked some of the points you made that have sort of, you know, resurfaced in the last quarter.

And the second question is, you know, in this sort of, you paint a brush of growth in subsea and projects coming through but in this interim period of underutilisation, and on that point, we'd like to know what utilisation of your assets are, but to what extent are you going to see a pricing shift in favour of the operators? And that's not, I'm not trying to ask the same question around margin in a different way. I'm just trying to understand how you can push through higher prices when your peers, particularly in the North Sea, are all, you know, waiting to fill their assets.

Jean Cahuzac

Well, let me try to answer to the different question. talking about Brazil, again, it's not unusual to have a problem like we've seen on coating. I think it's, in terms of magnitude it's not been, doesn't have a huge impact on what happened except that we are going to have this revenue coming a bit later in 2011 instead of 2010 because we postponed a number of operations waiting for our supplier to solve the technical problem.

When you look at the execution of the two companies over the last two years, I think one of the things that I would like to highlight is that both companies had very good operational results and I'm not seeing today, on either side of the two legacy companies, anything which would make me think that things are going in the wrong direction. When we talk about the combination, we've been able to, in fact, make sure that the project organisation, the project teams are operating as they were in the past and are operating very efficiently. So I don't see today a problem of execution in Subsea 7. I'm very comfortable about that.

I think the second question was regarding the utilisation rate of the vessels. 2010 utilisation of Subsea 7, legacy Subsea 7 was 80% / 82%. And utilisation of legacy Acergy in 2010 was around 70%. I think it reflects the different type of business we are in, more day-rate contracts on the Subsea 7 side and more EPIC contracting, particularly in Africa on the Acergy side, where the profitability comes more from the project than the vessel. So there's, nothing unusual there.

In terms of the pressure, the pricing pressure from the operators, you know, again, based on what we are seeing we are saying that there will be some pressure on margin in '11 because of 2010 situation and that's not new. But we are clearly seeing more activity, more tendering and that make me feel more comfortable. And we had a market going down in 2009/2010, without any doubt; a market which is improving today.

Christian Malek - *Deutsche Bank*

It was just maybe, I have two sort of follow-ups on the point you just made. Isn't there a sort of paradox that you've got an industry that's overutilised into an upcoming, you know, maintaining contracts? And operators that we speak to can see this sort of window of opportunity. And there lies the pricing pressure. It's not just you but your peers. So it's just trying to gauge, you know, to what extent could it really hurt, in terms of margin, not just this year but next year because all the projects you're talking about don't really start to economically utilise your vessels until 2012/2013.

And then the second point on Brazil is, I mean, you talk around, you know, scheduling issues being a one-off, perhaps, on this. But most execution arises from supply-chain issues and what you're saying is that there's nothing in the supply chain with respect to Subsea 7 that causes concern. Is that right?

Jean Cahuzac

Yes. There is nothing in the supply chain in Subsea 7 which creates concern, the way I look at it. There is no doubt that with the market picking up and more activity on the supplier chain, the importance of quality control, the importance of a process in our project management and everywhere is very important and will be even more important when they activity picks up.

But I think both legacy companies over the last couple of years have built up a very robust systems which, can be seen in the way we delivered the projects in the past and I'm comfortable that this process, our approach of a partnership with key suppliers, will be a plus for us. So I'm not underestimating the challenge every time a market picks up and the activity picks up. It's more difficult but I think we are ready for it.

Christian Malek - *Deutsche Bank*

Sorry. On the margin point, just coming back to utilisations.

Jean Cahuzac

Utilisation, the margin point; I think we commented before. The margin point, in terms of utilisation, utilisation of the vessels is one point and we see an increase of tenders. There is still a pressure on margin in some parts of the world so you are going to get utilisation first and then margins will pick up when utilisation has increased in some parts of the world, such as North Sea, for instance.

When you talk about larger projects and EPIC projects, utilisation is important but what is even more important is what you generate through the project, engineering and project management and procurement. And when we are pricing projects which we'll, in fact, define with the industry in the coming months or in 2011, we are taking into account that these projects will be executed in 2012/2013. And therefore we are bidding them with profitability which are appropriate.

Christian Malek - *Deutsche Bank*

Brilliant. Thank you.

Amy Wong - *UBS*

Just a couple of questions here. Your outlook comments about execution and activity levels are expected to increase in 2011; does this take into account the potential sale of the rigid pipe-lay vessel and the diving vessel?

And the second question is, can you comment on the, how much in aggregate Subsea 7 new co is tendering for right now and for probably awards in the next 12 months or so? Thanks.

Jean Cahuzac

Yes. when we say that we see an increase of tendering and increased activity, when you talk about a direct contract and short, and small or medium-sized projects, you are going to see operations starting in 2011 and beginning of 2012. When you talk about large projects, the operation will not be before 2012 onwards. It will be post-2011 so increasing of the number of tenders, yes, impacts on the utilisation. Depending upon the type of projects, the schedule will be different and again, large projects will not be in operation before 2012/2013.

There are a lot of opportunities there but if you look at the projects that, the large projects which are, we believe will be awarded to the industry in the coming months, in 2011, I think what is striking is that it's really a global activity which is in front of us. We see – obviously, there is the pre-salt development with the competition, engineering competition which Petrobras initiated a bit more than a year ago. We expect that there will be a contract award to the market in the near future.

And there is in Africa – if I go around the world – in Africa, there are still more work to come on the conventional. I don't know if Ofon, for instance, will be awarded before the election or post-election but it's a large project which, again, will be awarded, I think, in '11 to the industry. If I go to Angola, you have the Lianzi Project with Chevron, you have the BP gas export pipeline in Angola. I could go on with the list. You have the Gygrind Project in the North Sea, which was recently awarded. I think one our competitor made an announcement today on this Statoil project in Norway. You have Gorgon and Macedon in Australia, to name a few, where I think also will be awarded in '11. You have Liwan in China.

So all these large projects are coming and that's what we were foreseeing in 2010. You have to remember that in terms of impact on our balance… on our P&L, execution will be post-'11 and some time late 2012. So it's not going to impact directly '11.

The second question was on the Falcon and potentially a diving vessel. As I said before, we are working with the OFT on the implementation of the remedies. The way I look at the market, it's a global, worldwide market with vessel going in and out of the different regions. And these will not have a significant impact on our forecast because we will be able to continue to grow in the North Sea with other vessels.

Amy Wong - *UBS*

Right. And just one quick follow-up. Can you remind us how you intend to communicate the one month of results for legacy Acergy for December '09?

Jean Cahuzac

Yes. I'm going to let Simon's answer to the question.

Simon Crowe

So Q1, in Q1 we will report four months of the legacy Acergy company, so December, January, March and three months of the legacy Subsea 7 and we'll roll that forward. We don't intend to put out the one month by itself at any stage.

Amy Wong - *UBS*

Great. Thank you.

Frederik Lunde - *Carnegie*

Yes, good afternoon and congratulations on the good numbers. Just one question on the investments first. You've just established a new focus or segment for renewables. And to what extend does that require any new vessels?

Jean Cahuzac

Well, maybe a general comment on our strategy. We clearly, when I look at the market, we are in the right business. We are in, and we have a way to go in a profitable manner on what we are good at. What we are looking at is around this core business, the areas where we could provide the customer with our expertise and I think renewables is an option.

We have put together this joint project with SSE and Siemens in the North Sea that has been announced and the idea there is to work with our customers to define the best solution. So it's very premature to say if further investment will be required and what type of vessel will be required. We will define what is the most cost-effective solution and work together with our clients to go ahead. It's an interesting project for a long-term approach.

So I think we have time to take one more question.

Martjn Rats - *Morgan Stanley*

Hi, yes. Bit unexpected but I have sort of two follow-ups, if I may. The market started to deteriorate late '08, early '09 and now it seems that in 2011, margins should be under pressure so that's sort of a two-year lag. And I was wondering whether that is, in your view, symmetrical as a development as in, now that you're indicating that the market is improving, will the impact on the P&L also be sort of at a two-year lag? I was interested in your view on that.

And secondly, in the fourth quarter – and I know you don't like to talk too much about the single quarter profit margins – but in the fourth quarter, the spreads between the Acergy EBITDA margin and the Subsea 7 Inc. EBITDA margin was around about 900 basis points and we haven't seen that before as far as, at least, sort of my model goes back, which is about seven years or so. So that spread is at a, was at a record high in the fourth quarter and I was wondering, in your view, which of the two really does represent current market conditions?

Jean Cahuzac

Okay. To answer on your first point, I think I would be very cautious not to have a kind of a symmetrical model on two-year delay versus two-year lag, etc because, it all depends on where the projects are, what is the timing of the project, etc. There is definitely a lag time and projects which are going to be awarded in 2011 will – or the largest contracted projects will have an impact post-2011.

I think what we're going to see in the longer term, in medium term is because of the size of the company and our ability to be successful on a worldwide basis, there will be a better balance between the up and down. And that's one of the plus of this merger but I wouldn't say that because it went down in '09 and we're seeing it picking up now, we are going to be able to define exactly the timing of the improvement of the market and the impact on the bottom line.

Regarding the Q4 result of Subsea 7 and Acergy, again, the same comment that I made before; I don’t think that quarterly results are necessarily reflective. When I look at the results, the yearly results of legacy Subsea 7 and Acergy, they are two very good results in a difficult market and that’s what make me very comfortable and very positive about the future.

Martjn Rats - *Morgan Stanley*

All right. Thanks very much.

Jean Cahuzac

I think we’ve come through there to the end of our hour and really would like to thank everybody for participating to this earning call and asking questions. And looking forward to speaking to you at the next earning call. Thank you.
