Acergy and Subsea 7 Agree to Combine

Creating a global leader in seabed-to-surface engineering and construction

Monday 21, 2010

Speakers

- Karen Menzel – Group Manager, Investor Relations, Acergy S.A.
- Kristian Siem – Chairman, Subsea 7 Inc.
- Jean Cahuzac - Chief Executive Officer, Acergy S.A.
- Mel Fitzgerald – Chief Executive Officer, Subsea 7 Inc.
- Sir Peter Mason KBE – Chairman, Acergy S.A.

Operator: Thank you for standing by and welcome to the Acergy and Subsea 7 Agree to Combine Conference Call. At this time, all participants are in a listen-only mode. There will be a presentation followed by question-and-answer session [Operator Instructions]. I must advise you that this conference is being recorded today, Monday, the 21st of June 2010 and I would now like to hand the conference over to your host today, Karen Menzel. Please go ahead, madam.

Karen Menzel: Thank you and good afternoon. Joining us on the line today are:

- Kristian Siem, Chairman of Subsea 7;
- Sir Peter Mason, Chairman of Acergy;
- Jean Cahuzac, Chief Executive Officer of Acergy; and
- Mel Fitzgerald, Chief Executive Officer of Subsea 7.

A copy of this morning's announcement, along with the presentation slides we will be using during this call, can be found on Acergy's and Subsea 7's websites.

Before we start the presentation may I remind you that certain statements contained in today's communication and made in the course of this conference call, which express the two 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 statements can be obtained from time to time in Acergy's and Subsea 7's respective company filings, with the Oslo Stock Exchange and / or the SEC, including Acergy's annual report on Form 20-F. Copies of these filings may be obtained either from the respective companies' websites or from the Oslo Stock Exchange and / or the SEC.

May I also remind you that this communication does not constitute an offer to purchase, sell, or exchange or the solicitation of an offer to sell, purchase, or exchange any securities of Subsea 7 or Acergy. Finally I draw your attention to the more detailed disclosure on forward-looking statements that appear in today's announcement. This call will run for one hour and with that I'll hand over to Kristian.

Kristian Siem Ladies and gentlemen

We are pleased to have announced the combination between Acergy and SS7 this morning. This is a combination that many of you as long term shareholders in both companies have urged us to pursue for years. While we have not felt it would have been right for us to discuss this topic with you in the past we did listen and we did agree. Three attempts have been made over several years and the two previous attempts were aborted for different reasons.

There has always been agreement between our two Boards on the industrial rationale for this combination and thanks to a constructive attitude of the present Board and Management of Acergy and Subsea 7 we have now been able to conclude a deal. There were no major hurdles during our negotiations and the atmosphere and attitudes in both camps have been positive, constructive and relaxed and we feel that we are ready to work together in a constructive way once the conditions to completion are behind us. Agreement on all social issues has been unusually easy.

We believe this combination is to the benefit of all stakeholders, not the least our clients who today tender jobs which can be in excess of a billion dollars. This combination give us a size that is more in harmony with the magnitude of our business and should put us in the position to take the challenges of large and complex jobs.

We are confident about the future of our industry and we are excited about the opportunities that we expect the future will bring. This combination makes us well prepared.

Jean Cahuzac Thank you Kristian for your opening remarks.

I will start by running through some of the key points of today's announcement and presentation. I want to give you a couple of insights as to why we think this is such a great combination and why there is a strong will in both companies to see it succeed.

I will then pass to Mel, to give you his thoughts on the combination and company culture, before Peter wraps up on the Governance of the new entity. We will then move to questions.

The Boards of Acergy and Subsea 7 have announced today that we have entered into a combination agreement, with the intention of creating a global leader in seabed-to-surface engineering and construction.

With a market value of $5.4 billion and employing more than 12,000 people, we believe that the new entity will provide existing and new clients with a full spectrum and step change in services while enhancing long-term shareholder value.

Why am I so optimistic?

Both companies have a similar focus on the high end of the market in technologically demanding and challenging environments - this is clearly a growth market in both medium and long-term. In this context we see a new generation of larger and more complex projects worldwide. With stronger engineering and project management capabilities we will be very well positioned to provide our clients with reliability in delivery of their key capital projects.

I am also very optimistic because we are combining companies which are complementary in many ways – in particular:

- from an asset perspective: the combination will enhance our fleet both in terms of size and specification taking it to 43 major vessels
- and from a geographical perspective as shown in the presentation.

The combination will result in an improved portfolio balance between day rate and lump sum contracts.

With a strong backlog of $5.3 billion and a robust balance sheet – the new entity will be very well positioned for growth.

Superior shareholder returns will also be realised within three years of completing the deal through synergies of at least $100 million per annum.

In an industry where the brightest people and high quality training are even more important than floating assets, the combined entity will be able to attract and retain the best talent from within and outside our industry.

And with that I would like to hand over to Mel who will share his thoughts on the combination and the company culture.

Mel Fitzgerald Thank you Jean. I can only echo what Kristian and Jean have said. The merits of this proposed combination have been recognised by everyone over the past number of years. Working closely with Jean and his team over the past weeks has only served to reinforce what a great strategic fit we have here. It is clear to me that we have the same values and culture which will bring the best of both companies together.

I am personally pleased and excited by this coming together and, in particular, the great opportunity this will bring for the people of Subsea 7 and Acergy. I am also extremely confident that a new Board to be chaired by Kristian, and a Management Team led by Jean will take the new company to the next level.

So with that I shall hand over to Peter to discuss the Governance arrangements.

Peter Mason Thanks Mel. Can I just direct you to slides 14 to 16, which outline the main terms of the combination, I am sure you have already reviewed them – so I won't read them to you.

But I will just refer to the agreed value ratio, which is: Acergy 54%, Subsea7 46% - this reflects a broadly consistent picture over 3, 6 and 12 months. The ratio is a subject that is often discussed at length in transactions. But we believe that achieving an early agreement was in the interest of shareholders, since the combined entity has the ability to deliver much greater returns, in the medium and long term.

So, to the important issue of governance arrangements – which are outlined on slide 17. The combined entity, will have a nine member Board, importantly, comprising a majority of independent directors. Acergy and Subsea 7, will initially each nominate four Directors. Kristian Siem, currently Subsea 7's Chairman, will serve as Chairman of the Board and I, Peter Mason, currently Chairman of Acergy, will be the Senior Independent Director.

Subsea 7's current CEO, Mel Fitzgerald, will be a Director of the combined entity; while the ninth member of the Board, will be selected by Kristian and myself, and will be appointed to the Board upon completion.

The new company, to be named Subsea 7, will be led by a highly experienced Management team, comprising Chief Executive Officer and Director, Jean Cahuzac; Chief Operating Officer, John Evans; and Chief Financial Officer, Simon Crowe. Other members of the team will be appointed in due course.

The new entity will trade on the NASDAQ Global Select Market, and the Oslo Stock Exchange.

We hope to close the deal by the end of this year or first quarter of 2011. And it is, of course, subject to shareholder and regulatory approvals and certain other customary closing conditions.

So thank you for your time. And we'll now be pleased to take questions. And Jean is going to chair this session. So back to Jean.

Jean Cahuzac: Thank you, Peter. Could we go to the first question? I think we can take the first question.

Questions and Answers

Operator: Your first question comes from Pål Dahl from First Securities. Please ask your question.

Pal Dahl – First Securities:
Congratulations for the very exciting and industrially sound deal. Just a couple of questions, if I may. First, how do you think clients will look at this transaction? And are you concerned that competitive authorities will have any views on your combination?

Jean Cahuzac: First part of your question and it relates to clients, I'm very confident that this transaction will be looked at in a very positive way by our customers. As we mentioned before, the focus of our client on more and more challenging projects, more technologically demanding projects requires a service company who have the strengths in engineering and project management and the new – as we have. The size of the project has increased significantly and they also require a service company which have the financial strengths to face the different challenges. So I have no doubt from their perspective we'll be able to deliver sustainable and delivery of the project and excellence in operations.

For the anti-trust, we are in the process of preparing our filing at this stage. We anticipate that we'll have to file with the competition authorities in the Norway, US, Brazil, and the UK. And we should receive some feedback from these authorities this summer. It's not in our best interest to speculate, but we will see this summer during the filing.

Kristian Siem: I think that's a very good question. And I'll just emphasize Jean's answer by saying that last year we participated in one bid that in itself was larger than our market capitalization. I think that describes the situation very well.

Jean Cahuzac: And may be to add on your point, Kristian, I had over the last couple of months several discussion with clients and one of the reoccurring theme was how will the industry as a whole and how will you as an integral company be able to provide the service that we expect and manage the risks associated with these projects. It's a reoccurring theme and it's more and more important for the clients community, both IOCs and all of our teams that have been working very, very hard to get to this position today that there was a great relationship between the management team, my relationship with Jean and how we work together and the openness and generosity on both sides get me absolute great confidence that this was going to be something that we would achieve very, very early from kick off. So that's my view on it.

Jean Cahuzac: I think from – what we hear also from our clients is that we have the same approach of partnership to identify the best solution and work with them to provide the right solution.

Sir Peter Mason: This is Peter Mason. Having been in the engineering contracting business all my career, some of it in oil and gas, some of it not, it's my view and certainly my experience that it's a very brave Board of Directors that undertakes a hostile bet in a contractor environment. I think agreed – and agreed that is the only way to consolidate markets.

Pål Holdø Dahl: Thank you very much for the good answers. Good luck to you.

Jean Cahuzac: Thank you.

Operator: Your next question comes from Alejandro Demichelis from Merrill Lynch. Please go ahead.

Alejandro Demichelis – Merrill Lynch:

Good morning, gentlemen. Thank you very much for taking the questions and congratulations. I've got three questions if I may. The first one is to Peter Mason, what has changed in this third approach in terms of how the Acergy Board is looking at this type of combination?

The second question is maybe you can give us a bit more explanation about how you're going to extract those $100 million of cost synergies that you're talking about?

And the third one is probably to Kristian, in terms of all the activities that they combine, Subsea 7/Acergy has, including conventional heavy lift and so on, are all of those areas core to the company – to the new company, I mean?

Peter Mason: It's Peter Mason. If I take your first question as to what has changed, and I think in these sorts of discussions, they have been around for, in this case, a few years. For me, it is the sort of natural evolution to them. The business and the industrial logic has always been crystal clear, certainly to the Acergy Board and I believe to the Subsea 7 Board. And perhaps what we did somewhat better this time around than last time around is that we dealt with some high level issues upfront to be – including things like the value split and what the governance might look like. So we dealt with them, with those things right at the beginning, came to an agreement really quite easily, surprisingly maybe, but we did.

So we had a pretty good head to terms in the first two or three weeks, I think, leaving the finer detail to be delivered over the last three or four weeks probably. So one thing is this natural evolution is relevant and, of course, the market – the drivers are somewhat bigger, I think, when both of us, as Jean has said and will probably arise again today that the market – the size of the project is getting bigger and bigger, more and more complex and when one stands back. And we saw the revenue in particular balancing at both businesses. It's arguable that the businesses might be unstable without something being done to address that relationship between the contractors and the clients.

Alejandro Demichelis: Okay. Thank you.

Kristian Siem: Okay. Let me answer your other question about the strategy. It is my impression that Acergy's strategy has become more focused over the years and is today very similar to the strategy of Subsea 7. So as far as our area of operations and our focus we have in overlapping situation. Where we have more of a complementary situation is geographically, where I think we complement each other geographically.

Jean Cahuzac: And just to add on these points, Kristian, I think the success that we had on the development of local content in the conventional market in Africa provide us a continuity of operation, which is a great base to develop local talent and a great support for the deeper operation and the self-operation. But regarding the question on the synergy...

Kristian Siem: Just on the – you also mentioned the heavy lift capability. It's something that we're seeing more and more even on the subsea side to have increased crane capability. And to look at what Acergy got in their tool box is really complementary to Subsea 7 without having to have the risk of not having access to that lift capability or to have to invest in a lift capability, which we felt would have not been in the benefit of overall shareholders. So I think that's a big plus.

Alejandro Demichelis: Does the same apply to NKT?

Jean Cahuzac: The same apply to NKT. We obviously had a discussion this morning where we advised our shareholder partners of this merger between Subsea 7 and Acergy. And I must say that the feedback from the investor partner has been very positive, being associated with an even stronger partner in the SURF business for NKT is a plus. And we had also a very positive comment from our other joint venture partner from Sonamet or from Sapura. So the feedback from the joint venture is very positive and I think we will continue to work very successfully with it.

Kristian Siem: And from Subsea 7's point of view, having access to NKTF is a big positive.

Alejandro Demichelis: Okay, thank you. And for the $100 million?

Jean Cahuzac: Yeah, for the $100 million, we say that we will achieve within three years at least $100 million a year. It comes from, I would say, two parts. It's optimisation of operating cost – obviously overhead optimisation, supply management, supply chain management efficiencies and reduced combined tendering cost to give you a few example. I could identify other points. And also synergy optimisation of the way we manage the fleet, which will lead to additional revenue with a more efficient fleet deployment around the world, having the critical mass around the world. I would say that the majority of the synergy will come from cost optimisation in all areas.

Kristian Siem: I would also just emphasize this reduced combined tendering cost. Our clients don't pay us if we do lose the project. These technically challenging projects can take months and months to prepare to respond to, and the cost of these can be well in excess of 1.5, $2 million. And when you think about that both of us are competing in the same place, there are huge synergies even in that area.

Jean Cahuzac: Yeah, absolutely. It's a very good point.

Alejandro Demichelis: Okay. Thank you very much.

Operator: Your next question comes from Martijn Rats from Morgan Stanley. Please go ahead.

Martjn Rats – Morgan Stanley:

Yeah, good afternoon. Well, most questions have already been asked, but I've got two remaining ones. First of all, this industry was already quite a consolidated one. It's becoming even more consolidated now. And I understand your comments about how your clients are going to welcome this as you'll be a more capable contractor. But at the same time, it suggests that this industry is going from 3.5 players to 2.5 players that you could see some pricing effect. And I was wondering whether you incorporated any of that into that $100 million figure? And if not, what would you expect will happen to pricing as a result of this transaction?

And secondly, at the start – in the early comments you – one of you mentioned that you expect that the – you are focusing on the high-end market which was growing over the medium to long-term, but I was wondering, now that we have you all together, sort of say, if you could give us an update on the shorter-term?

Jean Cahuzac: Yeah, let me first answer to the first part of your question. When you look at this market and you look at the company, which are actually bidding for the customer, in fact, this market remains still a very competitive market. There have been additional supply on the vessel side and we've seen newcomers all around the world. So I would not concur with your statements that this industry is becoming more and more – that the competition is becoming more and more limited to the contrary.

I think what the criteria of the operator will be within this competitive market will be to select the service company, the operator who can deliver the best added value. And that's where we will make the difference because we will be more efficient and because – and more consistent in the way we deliver the project.

Regarding – and when you look at the cost of – from a company – from an operator perspective, which is more and more looking at, I would say, what I would call, how safe it is to work with an operator, how reliable we are going to be in executing – in planning and executing the project. So that's where will be the difference, but we will still have a fair amount of competitors. There's no doubt there.

Regarding the market, we've seen a change, I would say, in the approach of the operator on the short-term market where the operator now are looking at more sustainability on the price of oil and we start to see more project being launched or which will be launched in the near future. It's particularly true in Africa, for instance, but we see a lot of project in Australia coming up. We see more activity in Brazil. Timing of the charter activity in the North Sea will be – is being monitored in the short-term future. But I would say that the tendering level has increased over the last two or three months quite significantly.

And when you look at global data of the industry, it's fair to say that the global CapEx forecast has increased too. So I'm personally, I would say, encouraged with what we hear and we know that some of the large projects around the world are likely to be awarded in the coming months or later in the year. So I wouldn't share your concern.

Martjn Rats: Okay. Thank you.

Operator: Your next question comes from Eric Tønne from Arctic Securities. Please go ahead.

Eric Tønne – Arctic Securities:

Yes, hi. Just two short questions if I may. The first one is, are you afraid of losing market share in any of your regions as a result of combining into one large company instead of competing with the sort of combined market share that you have today?

And the second question is on the synergies. Does this seem somewhat conservative with regard to the fact that I think Subsea 7 cut almost $100 million in operating costs over the last year, year-and-a-half.

Jean Cahuzac: Yeah. Let me start with the synergy and I'll come back about your question on the market. I think both companies have cut significantly the cost because of the activity downturn and the fact that we have to adjust the – our resources to what the market was showing us. However, both, neither Subsea 7 nor Acergy, have cut on the core of the expertise, on the engineering and the project management, and that's what's important.

When we talk about synergy, it's not cost cutting which relate to the market going down because it's not what we anticipate in the possible future from what we see. It's more on the synergies through the optimisation of the process, etcetera.

Regarding the different markets, I think one of the points which make this merger very attractive is, in fact, we are very complementary from a geographical perspective. And in fact, there are only a few areas where we overlap. It's formally fair to say, and I think Mel will agree to say, that we probably are stronger in Africa for a number of historical reasons. And I think it's probably true if I take another example that Subsea 7 has been a bit more successful in Brazil. So if you have some area where – Asia, where we see a growing market and we start – both of us start from a low level with a lot of opportunities. So we are going to increase our activity from a worldwide perspective because we are very complementary from a geographic perspective.

Mel Fitzgerald: I absolutely agree with that, Jean. And I think one of the biggest challenges we are having individually is how do we keep attracting these high-skilled people that are needed for this industry. And that is really one of the attractions of this combination, and is – absolutely agree with Jean on the geographical fit.

Jean Cahuzac: And I think just to add one point on what Mel just mentioned, it's true everywhere, but it's in particular even more true in countries where it's important to develop national talents where having a sufficient size of operation is probably – it helps a lot to recruit the people from the country where we work, which is what the national company and the government expect us to do. So that's a big plus.

Regarding the anti-trust, as I said before, we are going to do the necessary filing this summer and we don't want to second-guess what the anti-trust authorities' answer will be. We will follow the process and see the due process in due course.

Eric Tønne: Excellent. Thanks a lot and good luck.

Jean Cahuzac: Thank you.

Operator: Your next question comes from Amy Wong from JPMorgan. Please go ahead.

Amy Wong – JPMorgan:

Hi, good afternoon. Just a couple of questions from me. On the – a little bit more technical, on the Subsea 7 convertible instruments that are outstanding, I believe there are some change in control clauses in there, and I'm not sure if it makes a difference if we called it the merger or a change in control. And can you maybe outline what the implications are for these instruments if this merger be deemed as a change in control for Subsea 7?

And then also on the synergies of $100 million, what kind of costs did you expect to achieve, if there are any costs achieved $100 million in synergies? Thanks.

Jean Cahuzac: We have not split costs or given information on the cost of synergy at this stage. It's obviously something which comes from analysis from both sides and has been, I think, well before that. Regarding the bonds, I'll let Mel answer.

Mel Fitzgerald: Okay. I've got to come across here as a real expert without Barry [Barry Mahon] at my side. There are four convertible bonds outstanding between the two companies.

Acergy has a $500 million bond with a coupon rate of 2.25% payable in 2013. This bond will not be impacted as the proposed combination will not result in a change in control in Acergy. Subsea 7 has three outstanding bonds. The first bond is a $175 million zero coupon bond, which was puttable in May 2010. All but $3.4 million of this bond has been put. The remaining bondholders will have the right to either put or convert this bond on closing.

The second bond is a $300 million bond, of which $249 million is currently outstanding. On closing, the bondholders will have the right to either put this bond or convert on an enhanced basis in accordance with terms of the bond.

The final bond is a $275 million bond, with a coupon rate of 3.5% repayable in 2014. Proposed combination will not trigger a change of control in this bond. On completion, the rights of bondholders to convert into shares in Subsea 7 will transfer into rights to convert into shares in Acergy at the same exchange ratio as other Subsea 7 shareholders. So I hope that impressed you.

Amy Wong: Mel, thank you very much for preparing for my question. Thank you.

Mel Fitzgerald: Actually, Barry is at my side here.

Amy Wong: Thank you very much.

Operator: Your next question comes from Frederik Lunde from Carnegie. Please go ahead.

Frederik Lunde - Carnegie:

Hi. I have a couple of questions. First of all on the synergies, in terms of vessel utilisation, given that both companies [inaudible] vessels and they operate worldwide, when you'll be able to reduce steaming and mobilization quite sharply given larger fleets?

Jean Cahuzac: Yeah, absolutely. And it's part of the conclusion that we came to when we look at the synergy. It's – and it relates to the point that you mentioned, which is quite a valid point. The other point is that the vessel are very complementary in terms of technical specification and we will be able to do a broader type of operation with our own vessel rather than to outsource some of the operation. So for these two reasons, really it's going to be a significant announcement of our operation and costs.

Kristian Siem: I can add there that it's quite obvious that there will be big savings in coordinating a fleet of 43 vessels in a more efficient way than if we are operating separately. I'll also remind you that we are saying the synergies will be at least 100 million. We are not saying they will be 100 million and I would certainly be disappointed if they aren't substantially higher. Also I think you can understand that we have had a rough stab at it at this point and we will get further into the estimation of the synergies as we get further into the preparation for the completion.

Frederik Lunde: Nice. It's good to hear you still have ambitions for the newer company. And another question on the Gulf of Mexico exposure, there's currently a fairly small exposure in that area, but we do expect to see a developing market for inspection, maintenance and repair work as they have in the North Sea on the back of this deepwater horizon accidents?

Jean Cahuzac: Yeah. The way I look at the Gulf of Mexico, it's obviously a tragic event, which has a very negative impact on people and it's very difficult. From whether that means for Subsea 7 and Acergy in very short term, in fact, it has no impact on our present activity. When you look at the 2009 results, it has a limited impact on activity.

When you look at the 2009 results, the Gulf of Mexico represented less than 5% of total revenue and the backlog for this region is less than 2% of the combined backlog of the new entity. Beyond the very short term, the quarter will remain a priority for the industry, a priority for the IOCs and the NOCs. And at present, we have no doubt that it will remain one of their focus in the coming years.

The incident in – or the accident in the Gulf of Mexico put even more emphasis on the need to – for the industry together, the IOC, the oil company and the service industry to work together on the technology side, on the engineering side and the project management side. And I think a company like the new Subsea 7 will be one of the key player for the reason that I mentioned before – engineering strength, project management strengths, ability to invest on the new technology.

Regarding IMR and survey and inspection, it's a market that we see expanding not only in the Gulf of Mexico, but also in area like West Africa and Angola in particular when the field become more mature. And the Life-of-Field organisation, Subsea 7 as well as what we are doing in IMR, I think will allow us to develop – this project we have will allow us to develop further this business in the future.

Mel Fitzgerald: And it's also about having the very, very smart, key people working on subsea technology and tooling and to look to develop safeguards in the future for the incident that we're faced with at the moment.

Jean Cahuzac: And I'm sure that we'd have a – we will have – we are committed to have a very active role within the industry to participate at the risk evaluation and coming with safer – learn from the past and a safer operation in the future.

Frederik Lunde: Thanks. And a final question just on the flexible pipeline, will there be any change in your buying pattern now that you have NKT Flexibles in-house?

Jean Cahuzac: NKT Flexible is today a joint venture with Acergy, as you know. And obviously, we have a very good partnership with the joint venture. The new company will have the same type of relationship and preferred partner approach with NKT after the joint venture. That will not change. And I think it will be beneficial both for the conventional and for the new company, Subsea 7.

Frederik Lunde: Thanks.

Operator: Your next question comes from Stephen Gengaro from Jefferies. Please go ahead.

Stephen Gengaro – Jefferies:

Thank you, good morning. Good afternoon, I guess, over there. I have two questions really. The first is, this is more of an industry question, but with what's going on in the Gulf of Mexico, do you guys have an expectation for more activity internationally in the deepwater markets or are you sort of still on the fence? How are you thinking about that right now?

Jean Cahuzac: Well, I would say, we have expectation for more activity on the deepwater internationally, but I wouldn't say because of the incidents in the Gulf of Mexico. There is – it's not easy for the IOCs to switch overnight from operation, get the authorization, the lease and everything else. I think we're going to continue to see the trend which is more and more activity in deepwater worldwide for all the fundamental reasons, depletion rates of the fields, access to – limited access to reserves that the IOC have around the world, et cetera, etcetera, but – not because we're going to see a big exodus of operation from the Gulf of Mexico to be re-located somewhere else. I would like to remind you that in short term, we have no exposure in the Gulf of Mexico. It's not going to impact our day-to-day business in the coming couple of months.

Stephen Gengaro: Exactly. Okay. Thank you. And then when I look at the backlog by contract price, there is – 81% of Acergy's is sort of lump sum and sort of flat for Subsea 7. Is that a function of management approach or is that just a function of mix?

Jean Cahuzac: I think it's a function of mix and geographical area where we work. I was mentioning before, our high level of activity – or higher level of activity in Africa where on the sub-side, there are large, EPIC contracts. And it should be different from the North Sea where there are more day rate type IMR contract.

But one of the significant advantage of this combination is, in fact, the better balance that we're going to have in our contract portfolio as a joint company between day rates and lump sum basically going to an even ratio, as you may see on slide 12, between day rate and lump sum which is very good, both when the market is a bit weaker and when the market becomes stronger.

Stephen Gengaro: The risk profile?

Jean Cahuzac: It's true. And the risk profile, which is – the EPIC contract, you have a potential higher return, the risk profile is higher. So to have the right balance is the right approach.

Stephen Gengaro: That actually reads well into my final question which is, I know over the years, obviously, depending on where you are in the cycle, there is this effort to get the customers take on more risk. I know that's part of the price negotiations. How does the combination – or do you think the combination, and being of larger size, will help you sort of push some more the execution risk of these lump sum jobs on to your customers, if you think the dynamics are going to be similar than they've been in the past?

Jean Cahuzac: I think the fundamentals are good, in the sense that the main player of this industry have been very disciplined over the last couple of years in terms of getting the right risk profile, the right reward/risk profile with the operators. And when I look at the strategy of Subsea 7 and our strategy regarding risk, not taking risk like pollution, not taking risk which can – obviously that we cannot control, et cetera – we had a very similar operation – but I would say the four main players prior to merger have been consistent on that. So I think we're going to continue to be very disciplined. We are going to continue to define the right approach and we will not take any compromise on that as we are doing today or both of us are doing today.

Kristian Siem: I think exactly right, Jean. It's really the contracting risk, the weather risk, the unlimited liability risk, these are the things that we've been disciplined in. Your question about going – de-risking by going to day rate, no, that's not what we would consider de-risking the business. It's good to have the balanced portfolio, but also where we feel it's – where we can manage the risk and get better returns, we will prefer to take those risks on an EPIC lump sum basis and have that balance. So I think the key point is what Jean pointed out is make sure that we don't take on risks that we have – that we don't believe we can manage.

Stephen Gengaro: Great.

Jean Cahuzac: [inaudible].

Kristian Siem: Exactly.

Stephen Gengaro: Very good. Thank you.

Operator: Your next question comes from Alex Marie from Exane. Please go ahead.

Alexandre Marie – BNP Exane:
Hi. Good afternoon, everyone. Two questions please. First on your synergies, do you expect to incur any restructuring charges in order to achieve these synergies? And second, for the approval of the merger, can you tell us which percentage of votes will be required at both AGMs?

Mel Fitzgerald: On the first point, we are going to have one-off costs, which have been estimated over two years, roughly about $100 million. What was your second question, sorry?

Alexandre Marie: Which percentage of votes will be required at both AGMs to approve the combination?

Jean Cahuzac: Yeah. Well, the transaction, as you know, it's subject to Acergy and Subsea 7 shareholder approval and there are different regulatory approval or customary completion condition. For Subsea 7 shareholders, under the Cayman Islands scheme of arrangements which will be in effect – using to effect the combination, the transaction will require the support of 75% by value and 50% by number of those shareholders attending the meeting to vote on the transaction. Some industry representing approximately 20% of the combined entities' outstanding common shares have committed to vote in favour of the transaction. And for Acergy shareholders, the transaction will be subject to normal shareholder vote to be called at an AGM requiring poll and the support of a two-third majority of votes that are cast.

Alexandre Marie: Thank you.

Jean Cahuzac: And quorum is 50%.

Operator: Your next question comes from Mick Pickup from Barclays Capital. Please go ahead.

Mick Pickup – Barclays Capital:

Good afternoon, gents. Just a couple of clarifications, if I may. Firstly, I know you just said there's more balancing your backlog on day rate to 50%. I think we're all aware that Subsea 7's aim is to have 30% in that business. So just wondering, firstly, could you tell me what you think the long-term balance position is?

And secondly, if I pull back in the depths my mind, I seem to remember when those day rate contracts were signed by Subsea 7 an Acergy representative telling me that the accounting of that backlog was slightly different in your company versus Subsea 7 books. So can I just check what the numbers are on the same basis?

And then just to the next question, just on the synergy side, you're very confident about the synergies and I look forward to you beating it. But if we go back in time, every time we've seen mergers like this, the only beneficiary of synergies seems to be your clients and you pass it straight through. So just wondering, in your modelling, do you see any of those synergies actually dropping through to the bottom line?

Jean Cahuzac: Yeah. Regarding the balance between day rate and lump sum, I see approximately 50%, an even figure. So it can be a bit more, it can be a bit less. But – and what would be the future, I mean the future will tell. One of the things that when you look at the size of the future EPIC projects, they are so big that you can have for a period of time when you get awarded $1 billion project plus, an impact on the percentage and that can be to some extent meaningless. Regarding the synergy, we were talking about cost reduction optimisations to process optimisation and overhead optimisation, which will go directly to the bottom line.

When we are talking about what Kristian quite rightly mentioned, for instance, of optimisation of vessels, it means that we are going to have more time available to generate not only the day rate of the vessel, but also the added value of the contract, the added value of the project which goes on the top of the vessels. So it's in that sense that it will also go to the bottom line. We're having to be more efficient in the way we operate the vessel, and that doesn't mean that we will have to give any discount to the customer. In fact, it would be more efficient and more cost effective for the customer at the end. I'm comfortable with what we have said and I have no doubt that the Board will challenge us to optimise this number even more. We can bet you.

Mick Pickup: Okay, thanks a lot. Cheers.

Operator: Our next question comes from Henry Tarr from Goldman Sachs. Please go ahead.

Henry Tarr – Goldman Sachs:
Hi there. I just wanted to check in terms of the one-off costs, did you say $100 million over two years?

Jean Cahuzac: Sorry, can you come back with your question?

Henry Tarr: Sure. I just wanted to check, I think somebody asked what would be the one-off costs from the combination.

Jean Cahuzac: We said that we would have the synergy of $100 million of savings annual effective over three years.

Henry Tarr: Right. Okay. So as yet, there's no expectation or estimates of cost [inaudible] one-off costs would be in this transaction?

Jean Cahuzac: That's something that we are evaluating.

Henry Tarr: Okay. And then I think most of my questions have been answered, but just one other. What are the key sort of milestones here in terms of the timing? I guess, you're looking for sort of six to nine months completion. What could speed that up or delay that?

Jean Cahuzac: I would say the timing related to merger clearance and how fast will the authority answer to our filing will be a key component. That's obviously – then you have, obviously, the shareholders, AGM and everything else. But what will be key is the timing of the anti-trust and that we have already started to get ready to file in the countries where we'll have to file to optimise the process.

Henry Tarr: Great. Thanks.

Operator: Your next question comes from Iqbal Nasim from Nomura. Please go ahead.

Iqbal Nasim - Nomura:

Hi, good afternoon. I was wondering if you could give us an idea of what the tendering impact of the deal is going to be over the next six to nine months. You obviously both have outstanding bids at the moment. So will you sort of be competing with each other; what about new bids, et cetera, and how keen will your clients be to award work to either one of you while this process is ongoing?

Jean Cahuzac: Yeah. It's quite clear that until this bid close that we will be operating as two separate companies and we will compete as we are totally independent. We are totally independent and we will compete vigorously and we will fully comply with the competition laws. So until this deal is closed, we are two separate company operating in parallel and trying to optimise return for shareholders on a one-off basis, on a single operating company basis.

Kristian Siem: And that's made clear to all our staff in both companies. So it is business as usual until we close.

Iqbal Nasim: Okay, thanks. And another question was do you now see a need to increase your kind of flexible pipe manufacturing capacity? Is what you have – if you want more in-house effectively and is that likely to be a – if you do want to expand, is that likely to be an organic or an inorganic process?

Jean Cahuzac: Well, our manufacturing capacity on flexible is not in-house. It's through the joint venture we are in. So obviously, the joint venture has a business plan and we'll decide on the view of this business plan, what to do and when to do it. But being a shareholder of the joint venture, and obviously as a bottle joint venture, we have an impact – we have an impact on that, an input on that. But the joint venture will propose what to do to the Board.

Iqbal Nasim: You don't feel the need to have more, if you like, more sort of, effectively more capacity going in-house or more controlling...

Jean Cahuzac: I think the setup we have, with the preferred partner relationship we have with the joint venture which relates to some commercial agreement that we have in the joint venture fulfils our needs where I see them. We're quite pleased with the setup we have with NKTF.

Kristian Siem: But we are not suggesting a policy saying that we shall not be buying flexible from other manufacturers.

Iqbal Nasim: Absolutely.

Jean Cahuzac: Absolutely, yeah. No, you're quite right because...

Iqbal Nasim: Okay. And one final question, if I may, just on the synergies, I think sort of if you – this is a little bit confusing. So I think at one point somebody did say that the cost of the synergies were $100 million? And obviously...

Jean Cahuzac: No I think, if I said that – if I said that, it's not what I meant. I think we're talking about $100 million saving per annum from year three.

Mel Fitzgerald: I think you're right. Obviously, we're going incur a big cost in the first two years, and that's why we say at the third year we will – should be up to the $100 million at least in the third year.

Jean Cahuzac: Yeah. And the cost to actually optimise the process are including the time that it requires for us to go up to the $100 million.

Iqbal Nasim: Okay. And will you be prepared to give any sort of – yes, obviously – you're obviously ambitious to beat this target, will you be prepared to give what you think is kind of – gold case scenario, what can be achieved through this? Are they significantly above $100 million?

Jean Cahuzac: No. I wouldn't commit at this stage on the differences. We say at least $100 million. And as I mentioned before, I'm sure that the Board and the Chairman will make sure that we optimise the results.

Peter Mason: When I was doing this in my former life, I always found investors were very interested in cost synergies, but I could never persuade them of the revenue synergies to be delivered to them. And I think that's true here also.

Iqbal Nasim: All right. Thank you very much. Thank you.

Operator: Your next question comes from Mark Rae from ODS. Go ahead.

Mark Rae – ODS:

Hi. I'm just wondering, you said you've got 12,000 employees in the combined company, is that a level you intend to keep or is that going to be part of the synergies that will be job losses?

Jean Cahuzac: As we mentioned, in a merger of this type, there will be naturally some duplication and some optimisation of some of the organization. But this measure is pretty negative on growth. So I think when you look at what's going to happen, combining the two companies will definitely announce existing and create new capacity to serve strongly the – what is required by the market and we provide new opportunity for our people. So it's going to be a combination of optimisation of organization and, in some other area, growth of the vessels to fulfil the need of the market, particular in engineering and project.

Mel Fitzgerald: I think we both have the challenge today. And even today, in what we might consider a downturn part of the cycle in the market, trying to attract in the high-level key capabilities into the company. And what I see with this new combination that this will enable us to attract – easier to attract these type of people in because they'll see a great opportunity for them in this new company. So I see that as a big plus. But I think the whole market again will be scrambling for people, good people as we go forward.

Jean Cahuzac: It's true also to say that in some department or some function, there is some duplication that we're going to look at. Okay. Thank you.

Operator: Your next question comes from Chris Malek from Deutsche Bank. Please go ahead.

Christyan Malek – Deutsche Bank:

Hi, good afternoon, gentlemen. I don't want to get back to [inaudible], but can you just be clear as to sort of what's your base case, your industry view here because if we do see products getting delayed once again, six, 12 months down, effectively you're saving costs, being able to manage that pricing pressure rather than manage synergies out of it. And I guess linked to that second question is what's the fear that your peers such as Technip and Saipem are capable of taking that price lower, manage – meaning that basically your margins net-net don't actually move substantially?

Jean Cahuzac: I'm not sure that I understand why our competitors would take the approach that – I would think that – I think it's – if the market was to go down, obviously, we would take the necessary measures to reduce the cost as if we're two independent company. The synergy is going to come with a different way of managing this business, as we said before, managing, optimizing our organization, what we're going to get in terms of supply chain cost, the management of the vessels, the decrease of tendering costs which will always be there even if the market was to go down. I think the – I don't want to speak on behalf of our competitors, Technip or Saipem or any others, but I think they will do like we'll do. They will try to do what makes sense for their shareholders.

Kristian Siem: I think also – I think both companies – and I can speak – I think it's true for both companies. We're very focused on being efficient, getting out – flat out of the business and I think we both have seen over the last two years that where we were all focused on growth, but we have to start focusing on our cost. And we've seen some great costs coming out of the system. I think we'll maintain that focus on our costs. Now, depending on where you are in the cycle, in some cases, to remain competitive, those costs could be passed on to the client. And in other cases, those costs will go to the – savings go to the bottom line. And that is the philosophy.

Christyan Malek: Sure. Let me just – just sort of put another way, you say no projects happening for nine months. Won't you be sitting on a lot of assets that aren't really doing much in terms of being under-utilized?

Jean Cahuzac: I think the optimisation of the asset that we described before will allow us to in fact optimise the utilisation of the asset better than if we were two independent companies. And when you look at the backlog that we have, I think we can be reasonably optimistic on the utilisation of our engineering project management resources and to a large extent of the vessels. So I think we have time for one more question.

Operator: Your next question comes from Anne Daussun from Oddo Asset Management. Please go ahead.

Anne Daussun – Oddo Asset Management:

Yes, hi. I just wanted to be sure that I understood correctly what you said on the convertible bonds, the Subsea 7, 2011 and 2014 convertible bonds.

Mel Fitzgerald: Could you give me that again, please? Could you come back on what you've said on the Subsea 7 convertible bonds?

Mel Fitzgerald: Okay. Do you want me to repeat all three? Just 2011 and 2014 convertible bonds, please.

Mel Fitzgerald: Okay. The $300 million bond, of which there's $249 million, is currently outstanding. And on closing, the bondholders will have the right to either put this bond or convert it on an enhanced basis in accordance with the terms of the bond. The final bond is the – the other bond is the $275 million bond with a coupon rate of 3.5% repayable in 2014. The post combination will not trigger a change of control on this bond. That's probably where you need the clarity. On completion, the rights of bondholders to convert into shares in Subsea 7 will transfer into rights to convert into shares in Acergy at the same exchange ratio as other Subsea 7 shareholders. Okay, perfect.

Mel Fitzgerald: Thank you. Thank you very much.

Kristian Siem: Jean – this is Kristian Siem speaking. I just think there seems to be a little bit confusion about the pricing in the market. Remember that every job is priced individually. This is not a commodity market at all. And therefore, we will see prices fluctuating and the competition situation is fierce. And you see that all the time. And sometimes it may suit one competitor actually go very low on a particular job and that will probably be the case going forward. So I think we have to be prepared for that. And it is vessel utilisation or other resource utilisation that sometimes dictates the pricing to suit that individual better. So I just wanted to clarify that the competition situation is going to be very similar to what it is today going forward.

Jean Cahuzac: Yeah. You got it right, Kristian.

Mel Fitzgerald: Good. So Kristian?

Kristian Siem: Yeah.

Mel Fitzgerald: Are you going to close this time?

Kristian Siem: I think it's right, as Jean suggests, we draw the line there and I want to thank everybody for attending. We have lot to do. The main milestone has now been reached as of last night and we now need to wrap this up as quickly as we can. And that process has already started, as Jean said. And hopefully, we can complete this transaction before the year-end and start the New Year fresh as a merged company. That remains to be seen and is not entirely in our control. We will keep you informed and look forward to speaking to you on the next conference call. Thanks.

Operator: That does conclude the conference today. Thank you for participating. You may all disconnect.