subsea 7

Subsea 7 Q2 2020 Earnings Presentation

Wednesday, 29th July 2020

Welcome and Disclaimer

Katherine Tonks

Head of Investor Relations, Subsea 7

Welcome, everyone. With me on the call today are John Evans, our CEO and Ricardo Rosa, our CFO and the results press release is available to download on our website, along with the presentation slides that we will be referring to on today's call.

May I remind you that this call includes forward-looking statements that reflect our current views and are subject to risks, uncertainties and assumptions. Similar wording is included in our press release. I will now turn the call over to John.

Subsea 7 Q2 2020 Results Presentation

John Evans

Chief Executive, Subsea 7

Thank you and good afternoon everyone. I will start with the highlights from the second quarter before passing over to Ricardo to cover the financial results and an update on the cost reduction plan. Then I will discuss our recent success in renewables.

Macro environment stabilising

However, first, on slide four, a quick update on the market conditions as they have evolved over the last few months. Dealing with coronavirus remains a priority for our operations and we now have well established processes in place to reduce the risk of infection amongst our fleet and onshore bases. After the cases onboard the Seven Sun in April, we have had no further significant outbreak and we have continued to deliver projects to our clients. We estimate that the virus has cost us approximately $30 million in the second quarter and barring any further cases, we currently anticipate the impact to reduce in the remainder of the year.

Since we last spoke, the price of Brent has increased to over $40 a barrel and visibility on our workload for the second half of this year has improved. However, we continue to discuss requests from clients to reschedule work and there remains some uncertainty surrounding activities in the Middle East, where some of our projects have been on hold since COVID-19 restrictions were first imposed.

The highlight of the second quarter was certainly renewables, where momentum continued despite the challenges presented by the macro environment. We will discuss the recent awards and the outlook for this business later.

Q2 2020 results

Turning to slide five and the financial highlights for the second quarter. Against a backdrop of low oil price, as well as the complexities of coronavirus, Subsea 7 continued to deliver on the elements within our control. Our activity levels in the first quarter remained subdued, with revenues roughly unchanged from the levels reported in the first quarter. Adjusted negative EBITDA was $9 million, including a restructuring charge of $104 million. Excluding this charge, adjusted EBITDA was $95 million.

Thanks partly to active working capital management and tight control of operating and capital expenditure, we reported strong cash flow generation and cash increased by $144 million since the first quarter. In addition to a strong balance sheet, access to liquidity was further enhanced this quarter, with a two-year extension of our revolving credit facility, which remains undrawn. We ended the first quarter with a solid backlog and it continued to build in the second quarter.

After some significant wins for SURF and Conventional in the first quarter, Renewables stole the limelight this quarter, with a record $1.7 billion in new orders boosting our backlog to $7 billion.

Q2 2020 operational spotlight

Turning to slide six and our operational highlights. In the second quarter, we were active in the Gulf of Mexico, commencing pipelay for Mad Dog II and the Manuel project, which will use our electrically heat-traced flowline technology.

In Norway, Seven Arctic finished the installation of the final bundle at Snore and Seven Oceans commenced offshore operations on Johan Castberg, whilst in the UK the Seven Borealis was busy installing the pipe-in-pipe system on the Arran field.

Excluding a three-week outage on the Seven Sun, whilst we changed crews after a COVID-19 outbreak, utilisation of the PLSVs was high in the quarter.

The Life of Field business unit continued to work on its three long-term contracts in Azerbaijan, UK and Norway and also executed some IRM work in the Gulf of Mexico.

The Renewables business unit marked a milestone with our cable-laying vessel Seaway Aimery completing its first project in the US, off the coast of Virginia. Unfortunately during the quarter we had an incident on board the Seaway Strashnov on the Triton Knoll project in the UK. The vessel is now back at work and with the help of a third-party vessel, she is making progress towards delivering the project on schedule.

Backlog at 30th June 2020

Turning to slide seven, despite the sharp reduction in tendering activity since March, Subsea 7 booked awards totalling $2 billion in the quarter, including some significant wins in Renewables, as well as some smaller awards in SURF and Conventional. Renewables booked a record $1.7 billion of new awards, taking its backlog to $2.2 billion, or 31% of the total for the group.

We're currently active on offshore wind projects in all the key arenas, including the UK, Netherlands, Germany, the US and Taiwan.

In SURF and Conventional, despite tough industry conditions, we announced four new awards, in the Gulf of Mexico, the UK and Norway. The Hod contract was awarded after the announcement, in Norway, of a tax relief package and it will see Subsea 7 continue its strong relationship with Aker BP.

Overall within the $7 billion, our workload for execution for the remainder of 2020 is around $2.1 billion, whilst our backlog for work in 2021 rose 70% in the quarter, to $3.4 billion.

Now I will pass you over to Ricardo to run through the results in some more detail.

Q2 2020 Financial Results in Depth

Ricardo Rosa

Chief Financial Officer, Subsea 7

Q2 2020 income statement

Thank you John and good afternoon everyone. Slide eight shows the highlights from our income statement.

Group revenue in the second quarter was $754 million, down 21% from the prior year but broadly in line with revenue recorded in the first quarter of 2020. The low levels of diving activity in the UK North Sea, as well as the absence of conventional work in Africa and the Middle East, which were features of the first quarter, continued throughout the second quarter. The rephasing of some contracts also contributed to the revenue decline.

The adjusted negative EBITDA was $9 million, including a $104 million charge related to the implementation of our cost reduction programme. Excluding the restructuring charge, adjusted EBITDA was $95 million, down 44% year on year. Relatively low levels of vessel utilisation for this time of year and costs associated with the incident on Seaway Strashnov contributed to the decline. In addition, we estimate that the operational and logistical challenges presented by COVID-19 adversely affected the quarter by approximately $30 million.

Excluding the restructuring charge, the percentage margin for adjusted EBITDA was 12% for the quarter, compared to 18% in the same period last year and three percentage points higher than the margin recorded in the first quarter.

Reflecting the deterioration in market conditions and downward revisions to forecast activity levels, the group has recorded a $578 million charge to impair most of the goodwill remaining from the merger in 2011. In addition, the quarter includes a $229 million impairment of property, plant and equipment and right of use assets, in both cases mainly relating to vessels.

The net loss was $922 million, equivalent to a diluted loss per share of $3.06.

Expense breakdown

Slide nine provides additional details on the $104 million restructuring charge, related to our cost reduction programme, which I will update you on next. This charge is mainly related to the expected cost of reducing the workforce and excludes the impairment charges I highlighted previously. The charge has been recorded in the corporate segment and allocated between operating and administrative expenses, as appropriate. Therefore, it does not impact the results shown for the individual operating business units.

Cost reduction programme on track

Turning to slide ten and progress on our cost reduction programme, as announced in April we are targeting an annualised cash cost saving of $400 million by the end of the second quarter of 2021. We are planning a net reduction in our fleet of up to ten vessels, stacking owned vessels and releasing chartered tonnage. To date, we have returned two chartered vessels to their owners and stacked two of our own owned vessels.

Our workforce will be reduced by up to 3,000 people, of which approximately 2,000 will be non-permanent employees and around 1,000 will be permanent employees. Employee consultation processes have commenced where appropriate.

Capital expenditure in 2020 is expected to fall in the range of $230 million to $250 million, including approximately $80 million on completing the construction of the Seven Vega, dry-docking of vessels and small investments in digitalisation and technology.

By 2021 and 2022, CAPEX is to be kept at minimal levels, probably less than $130 million per year.

Fleet management

Slide 11 shows a summary of the changes to the fleet to date, which will be updated each quarter. During the second quarter, Skandi Acergy and Paul Candies were released from their charters and Seven Antares and Seven Inagha, both based in Nigeria, were stacked.

The number of vessels in the active fleet thus fell from 32 vessels to 28.

We plan to release up to two more chartered vessels and stack up to five more owned vessels by the second quarter of 2021.

Seven Vega is currently being commissioned and is due to enter the active fleet in the third quarter of this year.

Q2 2020 supplementary details

Slide 12 shows additional details of the income statement. Excluding the restructuring charge, administrative expenses improved by $7 million when compared to the first quarter and $5 million against the prior-year quarter, reflecting the implementation of our cost reduction plan.

Depreciation and amortisation decreased by $4 million since the first quarter and $13 million compared to the prior year, reflecting the exit from the fleet of Seven Pelican and Seven Mar, the former recycled and the latter classified as an asset held for sale.

Included in the second quarter is an impairment of property, plant and equipment of $212 million and an impairment of right of use assets of $17 million, both mainly relating to vessels. Of the combined impact of $229 million, $195 million has been recognised in the SURF and Conventional business unit, while $14 million in the Life of Field business unit and $20 million in Corporate.

Following this quarter's $578 million impairment charge, the goodwill balance is $106 million and relates solely to our Life of Field and Xodus businesses. Despite the $938 million loss before taxes, the tax credit was only $17 million, reflecting the limited effective tax relief available on the impairment and restructuring charges recognised in the quarter.

Q2 2020 business unit performance

On slide 13, we summarise additional details of the underlying performance of the operating business units after excluding impairment charges. The SURF and Conventional business unit generated $626 million of revenue in the second quarter, 25% lower than the previous year, mainly due to the low levels of diving activity in the UK and North Sea, absence of conventional work in West Africa, reduced activity in the Middle East and the rephasing of certain recent awards.

Renewables and Heavy Lifting recorded $66 million of revenue, 35% higher than the same period last year, largely driven by activity on the Triton Knoll project. Life of Field revenue in the quarter was broadly in line with last year, at $62 million. SURF and Conventional's net operating income was $6 million, reflecting the factors previously highlighted, as well as the adverse impact of COVID-19 on activities, both onshore and offshore, which we estimated at approximately $30 million in the quarter.

A net operating loss of $26 million was recorded for Renewables and Heavy Lifting, largely due to extra costs incurred by the Triton Knoll project as a consequence of the delays on the project and the incident on the Seaway Strashnov.

Life of Field generated net operating income of $6 million in the quarter, a $9 million improvement on the prior-year period, reflecting measures we have taken to rationalise activities and costs.

Q2 2020 cash flow

Slide 14 shows our cash flow waterfall chart. Despite challenges associated with COVID-19 and the market downturn, cash generated from operating activities in the quarter was $219 million, driven by favourable movements in both net operating assets and liabilities of $235 million. This movement was mainly due to very active management of our working capital, which included success in settling certain long-outstanding receivables. The improvement also reflected reduced working capital needs in the Middle East, in line with current low activity levels in that region, as well as increased liabilities arising from the restructuring charge.

Our capital expenditure in the quarter was $33 million, $44 million less than the prior quarter, with reduced spend on Seven Vega and we incurred $26 million in lease payments, mainly related to chartered vessels. At the end of the quarter, we had $483 million in cash and cash equivalents, an improvement of $144 million from the first quarter. Our net debt position decreased by $225 million to just $30 million, with reductions in both borrowings and lease liabilities.

As John mentioned, during the quarter we extended the maturity of our $656 million revolving credit facility by two years to September 2023. It is currently undrawn, as is our euro commercial paper programme, which itself equates to approximately $740 million.

Full year 2020

To conclude, slide 15 gives an updated view of the full year. In April this year, we withdrew our guidance for 2020, due to the high level of uncertainty regarding a number of factors that impact our business, including COVID-19, delayed FIDs, as well as the rephasing of existing contracts and award of new orders.

Visibility for the remainder of this year has now improved, although significant uncertainty still remains, particularly regarding the potential impact of a new wave of COVID-19 cases on our operations and the macro environment in general. We expect 2020 revenue to be broadly in line with the level achieved in 2019. This includes the rescheduling of Sangomar, Barossa and some Middle East activity, as well as relatively low levels of escalations and spot work.

Adjusted EBITDA, excluding restructuring charges, is expected to be in line with current market expectations. Our administrative expenses are expected to range between

$230 million and $240 million, including restructuring charges of $14 million. Our net finance cost is expected to be between $15 million and $20 million, while depreciation and amortisation expense is expected to range between $440 million and $460 million. Our tax charge for the year is anticipated to be in the range of $10 million to $30 million. As previously guided, capital expenditure in 2020 should be between $230 million and $250 million.

I will now pass you back to John.

Strategy

John Evans

Chief Executive, Subsea 7

Strategy: unchanged

Thank you Ricardo. Now I would like to return to a slide you have seen before, on our strategy. Last quarter, we discussed in some details our initiatives regarding the subsea field of the future and today we will turn our attention to the Renewables element of our strategy for the energy transition.

Renewables: Record quarterly new awards

Subsea 7, through its subsidiary Seaway 7, has been involved in offshore wind business for more than a decade and has established a strong track record in installing both foundations and in-array cables, as well as executing full EPCI contracts.

To date, we've installed systems on wind farms generating 3 gigawatts, enough to power approximately 3 million homes and we're currently working on projects totalling another 5 gigawatts, enough to power a further 5 million homes. In fact, installation contracts covering some 424 foundations and associated cables were awarded in the first half of 2020 and Subsea 7 won the contracts to install over two-thirds of these.

Recent projects have spanned the globe from East Coast US to Asia but now let's look at a couple of case studies in Europe, starting with Seagreen on slide 18.

Renewables: Seagreen award

Seagreen was a major success for us this quarter, with an award totalling approximately $1.4 billion. It's our second EPCI contract for SSE and we will again be managing the engineering, procurement and engineering of the balance of plant scope. This will cover 114 foundations and 330 kilometres of inter-array cables, which will generate 1.1 gigawatts of wind power. We have already started work and should be complete on the engineering phase in around three months' time, with the bulk of the procurement to come in 2021 and the offshore phase mainly in 2022. It's interesting to note that Total has joined SSE as an equity partner on the Seagreen project. This is part of the energy transition of our existing oil and gas customers.

Renewables: Hollandse Kust Zuid award

On slide 19, we have another of our recent successes, Hollandse Kust Zuid for Vattenfall, one of the largest offshore wind developments in the world. Significantly, this will be the Netherlands' first subsidy-free project and will represent 1.5 gigawatts of wind power.

Our integrated contract includes installation and transportation of 140 monopile foundations and 325 kilometres of inter-array cables. It will be the first time we will use dynamic positioning during installation, a technique we have transferred from oil and gas and one that should save client time and increase cost efficiencies.

Offshore wind is a high-growth market that offers Subsea 7 many opportunities for the future and I know many of you have questions about it. With that in mind, in mid-September, we will host a half-day of presentations and Q&A dedicated to this topic. You will receive an invitation to this virtual event soon.

Outlook

On slide 20, we have a view of the outlook for awards in the coming 12 months. Whilst tendering activity for oil and gas projects remains low, we see opportunities in the Gulf of Mexico and Norway. We are also seeing the first offshore carbon capture opportunity for Equinor, on Northern Lights, another sign of the energy transition taking place.

In Renewables, we are working on tenders in Europe, the US and Asia. These are likely to be smaller contracts that diversify our backlog and allow us to continue to build on our credentials around the globe.

To summarise, we will turn to slide 21. We finished the second quarter with strong cash generation and a very robust balance sheet, with excellent access to liquidity. Despite the prevailing conditions, order intake was high and we have a solid backlog of work for execution this year and next. The outlook is mixed, with challenging conditions in the oil and gas market, whilst Renewables has strong momentum but continues to build upon an enviable track record in offshore wind.

Our cost reduction plan is on track and should ensure that we reduce capacity to mitigate the impact of the market downturn, whilst we retain core capabilities and the flexibility to adapt as the outlook develops.

Now Ricardo and I will be happy to take your questions.

Q&A

Haakon Amundsen (ABG Sundall Collier): Hello guys, thank you. Two questions from me, please. First one: I appreciate you will have a Q&A on the Renewables segment in September but I was wondering if you could elaborate a little bit on the synergies that you have, having this kind of growing business in the Subsea 7 portfolio, rather than having it as a separate business. That is my first question.

The second question: just if you can give us an update on the discussions you had with Petrobras regarding the PLSV extensions? Thank you.

John Evans: Thank you very much, good afternoon Haakon, I will take both those questions. There is a definite synergy between the Subsea 7 Oil and Gas business and Renewables and particularly on the very large EPCI contracts. Seaway 7 runs itself as an installation contractor and totally targeted towards renewables but when they take the very large contracts on, which needs a very large engineering, procurement and expediting capability,

that comes from Subsea 7, so we move staff backwards and forwards between the two divisions.

We are very clear that we want to keep our energy transition business shown separately just to allow how it progresses in the market to be clear to our investors. It is a market that is growing; it is market that will adapt and will change and it is one that we want to keep separate. However, we do move people, primarily, across and processes across and in the past we have used the Borealis, for example, to supplement on some of the lifting.

In terms of the PLSVs, I think we mentioned at the last earnings call Petrobras have their next five-year plan due to be issued to the market in August of this year. They tell us they are on schedule for that and once that has been published, which will then give a better understanding of their future needs for PLSVs, they have told us that they will be continuing their engagement with us. So I would expect, hopefully, in Q3, we should see some progress on that front.

Haakon Amundsen: Perfect, thank you.

Amy Wong (UBS): Hi there, good afternoon, a couple of questions from me. The first question is a bit of housekeeping just related to the losses in Renewables and Heavy Lifting. I understand that some of it is related to the additional cost related to the incident but can you give us some colour on the amount of hit it took in this quarter, or help us understand if, absent those costs, the division would have turned a profit in this period? Thank you.

John Evans: Thank you Amy. I am not going to give specific numbers but just to sort of scale it for you. In the Renewables division, the Yudin was idle during the quarter. She did a bit of work towards the end because she is working in Taiwan. Taiwan is a bit spotty for work; it starts and it stops on short-duration projects but that is the first phase of development in Taiwan and we felt, strategically, it was important to have an asset in Taiwan for that front.

Secondly, then, we took our cable-lay spreads from the US and moved them into Taiwan, so they should be working in Taiwan in Q3.

Lastly, then, the impact on Triton Knoll. We had an incident. It delayed the Strashnov by three, 3.5 weeks. However, also, we have a tight environmental stop on that project where we cannot get access beyond the end of August so we have brought a third-party, subcontracted heavy lifting vessel to work in parallel with us, so we mobilised another vessel and put that to work. The two are working in parallel at the moment and we are pretty confident we will complete the project on time, so it has had an impact in terms of needing to bring another asset in and there is some learning there for us from a process and procedure viewpoint, that we are learning and taking into the main business.

Amy Wong: Perhaps just a follow-up: as you mentioned, there is a bit of a learning curve on these. When you think about and bid for these projects, are these learnings kind of now being incorporated into your margin outlook for your portfolio of the Renewables?

John Evans: I think, like all fixed-price contractors, everything that we learn on every previous job we try to take into our future outlooks. This was more about a lot of this work is very, very repetitive and it is the discipline of checking, double-checking and triple-checking before something happens. The incident revolved around a final check on a lift not being

complete and when we thought all the pins had been retracted, one pin was still partially in place and that had an impact.

So, again, Renewables is a lot about discipline with a highly-repetitive piece of activity. I think that is slightly different from Oil and Gas, Oil and Gas has quite a lot of unique activities. So I think the learning for our industry is the care and attention and real attention to detail that needs to take place has to be done hundreds and hundreds of times in Renewables, whereas in Oil and Gas it might be done half a dozen times during a set of activities.

So there is learning and we are taking that onboard.

Amy Wong: Alright, that is very helpful, John, I will turn over.

Kévin Roger (Kepler Cheuvreux): Good afternoon, thanks for taking my question. I am sorry for that, gentlemen but it will be once again focused on the Renewables activities. Just to follow up the question of Amy: maybe it is a bit disappointing to see that this quarter the Renewables EBIT is once again negative. In your mindset, when should we expect to have this division, let us say, EBIT positive, or another way, if we exclude the extra cost that you experienced because of the accident, would you have been EBIT positive this quarter?

The second question is more long-term: you have been very successful recently, looking at the fixed foundation, but we are more and more talking about the floating offshore wind solution. What would be your position and strategy on that side, please?

John Evans: Thank you. I think on Renewables we do expect that next year we will be seeing a better result from that business. We have made very clear, I think, in all our analysts calls and quarterly results that it is a market with a lot of competition, a lot of people trying to find their feet in that business and also a lot of intermittency between different parts of the world. So we have seen what was a North-West European pretty steady business expand considerably, with operations running in three different geographies at the same time. Next year we would have a bit more stability, I believe, with a lot of European work, so we expect a better performance from the business in 2021.

In terms of floating wind, you are correct, there is a lot of interest in floating wind and we continue to be very interested in floating wind. As you might be aware, on Hywind and Tampen Hywind, for Equinor, we have been selected as the cable-lay contractor there. So the next big floating wind project that physically goes into the water, we once again will be a contractor there, working on that work.

We have a small investment in a French floating wind company, non-controlling but we have a floating wind investment, again, that allows then just to understand the technology and what is going on in it. We do not control that business but we have a small share in it.

So, again, for us, we are keeping a very close eye on that segment.

The important thing, I think, is, though, that again our clients are still telling us that the very vast bulk of work in the next 2–3 years is in the fixed wind arena and that is where we are concentrating our near-term work on. However, we do see floating wind coming into play and again we will be part of that when it arrives in the market.

Kévin Roger: Okay, thanks for that. Just, maybe, to come back on the first question, if you adjust your performance this quarter for the accident that you experienced on the boat,

things like that, would you have been EBIT positive in the Renewables division or still negative?

John Evans: As I said to you, we had an idle time, one of our assets in Taiwan. It is not really representative of where we want that business to be in the longer term. Longer term, we need our assets to be working and geographically placed, so that they are not moving around. So I think, as I said, I would expect to see 2021 being a more representative view of what that business will be in due course.

Kévin Roger: Okay, thanks a lot.

Sahar Islam (Goldman Sachs): Thank you for taking my questions, two from me, please. Firstly, can you give us a bit more colour on the utilisation you expect for the fleet in the second half, particularly for the larger global enablers?

Then, secondly, you have obviously done a great job on the cost savings. Are you starting to hear clients asking to get price deflation on any of the upcoming tenders to share in some of the savings, or do you think pricing is holding flat for new projects? Thanks.

John Evans: I guess, on utilisation, for us, we are comfortable that we have a plan that balances our fleet with our utilisation in the second half of this year. The big assets are busy. The big pipe-layers have work ahead of them. The Vega goes straight to work and she has work well into 2021 and into 2022. So, at the moment, we are pretty comfortable that we are cutting our costs accordingly and we have the right fleet balance for where we want to be.

On the cost saving, we are seeing the market such that our clients are expecting those cost savings to be baked into their new awards. We have not seen that many awards, as yet, in the new environment that we are in. One thing I will say, though, is that the supply chain took quite a beating last time and a number of players fell by the wayside. The ones that have stayed in the business, they are also making it very clear to us and to our ultimate clients that they need to make a reasonable return in the business, so, again, I think it is going to be very important here that we remember that cost savings are not easy to obtain because COVID-19 has impacted our supply chain as much as it impacted us.

We are also seeing, of course, that there is an ongoing cost, as we declared in this announcement here, about $30 million for this quarter. So, again, I think clients are clear at the moment that they need to recognise that there will not be immediate huge cost savings in the industry.

Sahar Islam: Great, thank you.

Vlad Serhievskii (Bank of America): Thank you for taking my questions, gentlemen, just one for John: with the recent award in wind farms, you are probably getting close to full utilisation for your vessels in 2022 and perhaps early 2023. Are there any signs that the wind farm installation market is starting to strengthen a little bit and maybe potentially leading to some additional pricing power here?

Then, a few housekeeping questions for Ricardo as well: first one, have you used any furlough labour support here in the UK or in Norway in Q2 and if yes, what was the impact on the P&L from those, if you can quantify? Secondly, the big improvements in working capital in the first half came from the liabilities side. Were there any meaningful pre-payments which assisted

during the first half and what is your outlook for working capital dynamics in the second half of the year? Thank you very much.

John Evans: So, Vlad, I will ask Ricardo to answer the financial questions first and then I will come back to the wind.

Ricardo Rosa: Okay, good afternoon Vlad. In answer to your first query, regarding support for labour costs, we have indicated that in this last quarter we had $30 million costs, COVID-related impacted. That is net of any form of subsidy or assistance we may have received from the various governments. However, I do want to emphasise that the amounts we are talking about are immaterial. We did have some people that were on furlough, for instance, in the UK and others who have been on short-term working. However, the impact would not have significantly affected our results in the first half, as well as the second quarter.

With regards to working capital, I think two comments there. First of all, yes, it is true that our liabilities increased quarter on quarter and since the start of the year. Part of that is attributable to the restructuring charge that we took, most of which is for liabilities that will crystallise in the second half of the year.

I think we also had some significant successes in reducing our receivables and our receivables balance for other assets and other operating assets has come down significantly, if you look at the notes to our financials. That is a function of the efforts that we have been focused on collections, some settlement of longstanding receivables that we were successful in achieving. We are hopeful that, in the second half, we will continue that trend.

John Evans: Vlad, to take your question on wind farm work, I think you are correct in saying we have picked up a good-quality backlog there in wind, which will mean our own assets will be utilised pretty heavily. We see good utilisation on our wind farm assets and as you might have seen in the announcement, we are bringing in Saipem to subcontract the installation activities on Seagreen because we are busy with our own assets on Hollandse Kust Zuid.

One thing I think we see in that business, which we have been part of for a number of years, there is a lot of subcontracting in the wind business. We have been subcontracted to Jan De Nul and DEME in the past and they are subcontracted to us on Triton Knoll, DEME, at the moment.

So there is a capability to bring 5,000-ton lift cranes backwards and forwards in the contracting arena, far more than you see in the oil and gas space. There is a bit more uniformity of what the assets can do. So, for us, at the moment, we will continue to bid in terms of capacity until we feel comfortable that we have a good-quality backlog into 2021 and 2022. However, there will be some elements of subcontracting there.

Vlad Serhievskii: Great. Thank you very much, gentlemen.

Sasikanth Chilukuru (Morgan Stanley): Hi, thanks for taking my questions. I had two, please. The first was, again, going back to the renewables and just following up to the comment that you just made, I was just wondering whether Subsea 7 has the capability right now to handle another project the size of Seagreen in the near term, or whether you would want to expand the Renewables business further if you have another contract the size of Seagreen?

The second question: I just wanted to talk to you regarding the COVID-19 impact, the cost impact you have seen in the first half and what you have seen in July. Have things improved materially and so far, in this quarter, have you seen any impact related to COVID-19? Thanks.

John Evans: Okay, I guess, on the first one, going back a way, we have always had a view that it would be useful for us to pick up one large, EPIC contract the size of Seagreen every two years, so we do not foresee another Seagreen coming in. Part of my prepared remarks said that the bids that we see in the future for us in Renewables are smaller contracts, potentially integrated transport and installation of cables and foundations but certainly not looking to take another Seagreen. The number of people and the amount of resources we need to handle those has a sort of final size at which we can do those and we would not want to be taking too many of those. However, you need to remember the ability to install foundations and the ability to install cables, we have different capacities for those and we want to make sure that they are reasonably well-utilised, with the good market that we have ahead of us.

In terms of COVID-19, I think the answer to COVID-19 is we have seen it spread from east to west and it is still a handful in the US, there are still a handful in Brazil at the moment, so I do not particularly want to talk about where we are at because, day by day, things change. We have protocols and systems for handling it. We have all our testing regimes and quarantine regimes in place but all it needs is one case in one of our vessels and then it all goes back the way.

So, at the moment, I think it is too early to say that we are through it. We will give you, by each quarter, what has hit us. However, we are reasonably comfortable that we have a method of handling it. Ricardo declares the costs each quarter, what it is. We have a way of measuring those costs so that we have a good understanding of where they are at. So I guess the take-away is we can manage COVID but it will cost us some money.

Sasikanth Chilukuru: Thank you.

Michael Alsford (Citigroup): I will actually turn it back to the Oil and Gas business and just ask a little bit about the pipeline you see for Norway. It is one of the areas, as you mentioned in your prepared remarks, where there is a bit more momentum, given the tax changes recently. I just wondered if you could give a sense as to what you see is the tendering pipeline for Norway activity over the next 12–18 months and perhaps, with that, where you see yourself differentiated? I am thinking about existing alliances and/or a technology offering that perhaps differentiates you relative to the peer group. Thank you.

John Evans: Thank you Michael. First of all, I think Norway, along with the US, as I mentioned in my prepared remarks, is still an area where there is activity. The tax break has certainly made a difference to our key clients in Norway. In my discussions with Equinor and Aker BP senior management, they were very clear that that was a very positive step the Norwegian government took. Equinor have a number of projects that they would like to bring to market and the good thing is on NOAKA, which is one of the huge field developments which has been sort of held up by a dispute between Equinor and Aker BP as to who should lead that. There now is agreement between the two players, so we would expect to see NOAKA out into the market, probably in two packages, an Equinor package and an Aker BP package.

In terms of Aker BP, they have plans which they are now accelerating on a number of their projects to gain advantage of the tax break. They also have their share of the south part of NOAKA coming into the market.

Lastly, in Norway, I would like to say something I touched on very briefly. Equinor have this project called Northern Lights which takes the CO_2 from a cement plant near Oslo, scrubs it, using onshore scrubbing technology and then a new onshore and offshore pipeline that takes the CO_2 and sequestrates it in an old oil field offshore. Again, for me, that is a very positive sign about this technology step-change that has to happen with energy transition. Companies like Equinor in Norway are creating the environment for the first pilot projects to take place, so we will be bidding for that work, hopefully before the end of this year.

So, overall I think Equinor have a portfolio, Aker BP have a portfolio and I did a performance review with the CEO of Wintershall a couple of weeks ago and again, they are dusting down their prospects there as well. So, again, I think it is very important that Norway has a plan ahead. Norway, I think, will be different from other parts of the world. However, we are still seeing a lot of progress in the Gulf of Mexico. Chevron have their projects moving ahead. People like Murphy are moving ahead on a number of their projects as well, so we would expect to see some Gulf of Mexico opportunities come, hopefully either back end of this year or early part of next year.

Michael Alsford: Okay, thanks John.

Nick Konstantakis (Exane): Hi guys, just a quick one from me, actually. Given the vessel, the chartered one, you are returning to the owners, when can we expect the lease payments to trend in H2 and into next year, please?

Ricardo Rosa: Nick, good afternoon. I think what we can say about the charters is that the ones that are under consideration are charters that are not necessarily long term. We have no plans for early termination of those charters. We will be reviewing them in the light of activity in the coming months and if there is not activity to justify the continued commitment, we will not renew them. So we are not expecting any significant penalty charges to hit the financial statements; it will be a gradual downward trend.

Nick Konstantakis: Sorry, I was not asking as much as that as in, if those come to the natural termination, what do the final or quarterly lease payments get to? So that is what I am trying to get to.

Ricardo Rosa: I think we do not disclose that information. That is relatively commercially sensitive. What you can do is have a look at our cash flows to get a sense of how much we dispense each quarter for all forms of lease and I can say that the largest proportion of that is in relation to vessels.

Nick Konstantakis: Okay, excellent, thank you.

Erwan Kerouredan (RBC): Thanks for taking my question, two please, first on Renewables. You mentioned, on slide four, that the strategy remains broadly unchanged. However, given the current strength in the tendering market, could we expect a shift in CAPEX mix in 2020, or further out in 2021, with further investments towards Renewables?

That is my first question and my second question is on COVID. What are the odds of costs lingering in 2021 and you also indicated that the $30 million impact was roughly split to

onshore and offshore. Is there a net difference in impact in the foreseeable future on onshore and offshore wind, potentially one recovering quicker than the other? These are my questions, thank you.

John Evans: Maybe, Ricardo, you can cover the COVID one?

Ricardo Rosa: I will cover the COVID question. I just wanted to clarify the misapprehension there. I think the significant majority of COVID-related costs are incurred in relation to our offshore operations. I mean, to give you an example, in the second quarter we quoted a net impact of about $30 million. A lot of that was in relation to vessels that were idle, for instance such as the Seven Sun, which was held up in Brazil for a while, as well as the friction costs associated with crew changes, for instance, where we have to mobilise more people, they have to stay for a period of quarantine in hotels. Arguably, those hotels are onshore costs but they are related to our offshore operations. Really the bulk of the costs that we are incurring is in respect of our offshore operations.

We include comments on onshore because there are marginal impacts and we also benefit, to a small extent, from government subsidies and support.

With regards to 2021, I go back to and refer you to the comments that John has made. Really COVID remains one of those uncertainties going forward. You know probably as much as we do as to whether or not it will linger on into 2021. We just tailor the way we approach our contracts and work with our clients to cater for that risk and the impact it may have on our operation.

John Evans: Just taking your first question, regarding investments in Renewables, I think our aim in the next few years is to minimise the amount of CAPEX we do as a company. We have a pretty young fleet in terms of what we do. However, we are interested in looking at some of our Oil and Gas assets and seeing, with some minor CAPEX costs, whether or not we could put them to become more efficient in that Renewables space. So it is not going to be major, grand gestures but we might well be looking at: could we increase our capacity in some of the areas of Renewables to support?

Erwan Kerouredan: Thank you, that is very helpful.

John Evans: Well, thank you very much. I am pleased that you could join us for our Q2. I appreciate all your questions and we look forward to talking to you offline. We will meet you again, hopefully, on our Renewables day in September, or if not we will talk to you again on our Q3 earnings. Thank you very much.