

subsea 7

Release of Q3 2020 Results

Thursday, 12th November 2020

Welcome and Disclaimer

Katherine Tonks

Head of Investor Relations, Subsea 7

Agenda

Welcome, everyone. With me on the call today are John Evans, our CEO; and Ricardo Rosa, our CFO. 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 also included in our press release.

I will now turn the call over to John.

Subsea 7 Q3 2020 Results Presentation

John Evans

Chief Executive Officer, Subsea 7

Thank you, Katherine. Good afternoon everyone. I will start with highlights from the third quarter before passing over to Ricardo to cover the financial results.

Third quarter 2020 results

Turning to slide four. After a subdued first half, our activity levels improved in the third quarter, driven mainly by renewables. Revenues were up approximately 26% from the levels we reported in the first and second quarter at \$947 million, while the EBITDA margin remained at around 12%.

Once again, we report a strong cash flow generation and cash increased by \$58 million to \$542 million, putting us in a net cash position. We have achieved some important strategic milestones during the quarter. We announced an extension to our PLSV contract in Brazil as well as the conversion of the same Phoenix to cable lay and Xodus won its first green hydrogen study in Australia.

Q3 2020 operational highlights

Turn to slide five and our operational highlights. In the third quarter, we were active in Norway and the UK on Snorre, Ærfugl, and Arran projects. Whilst in the Gulf of Mexico, we continued to work on the Mad Dog II project and started engineering on Anchor, King's Quay and Jack/St Malo. In Africa, Seven Borealis is currently active on the Zinia project.

The Life of Field business unit achieved high vessel utilisation in the third quarter with work on its three long-term contracts in Azerbaijan, UK, and Norway, as well as activity in the Gulf of Mexico.

The Renewables business completed work on Triton Knoll with Seaway Strashnov inside our contractual window, but the three other renewables vessels spent part of their time on client-paid standby in Taiwan with limited profit recognition due to a lack of progress. The Seagreen project made good progress.

During the quarter, we accelerated the rollout of our digital initiatives across our businesses. This included the use of augmented reality technology to enhance our remote access to project sites for clients.

Backlog at 30 Sept 2020

Turning to slide six, as always in this business, large new orders can be lumpy. Last quarter, we booked \$2 billion of new work. This quarter was quieter, but our backlog remained resilient.

SURF and Conventional announced two new awards: an extension to the PLSV contracts in Brazil and a project in Trinidad and Tobago. Renewables announced a win in Taiwan, but this is subject to FID and will be booked once the client has sanctioned the project.

Overall, within a backlog of \$6.8 billion, our workload for execution in the remainder of 2020 is around \$1.2 billion, whilst our backlog of work for 2021 rose slightly in the quarter to \$3.6 billion.

Now, I will pass over to Ricardo to run through the financial results in more detail.

Financial Performance

Ricardo Rosa

Chief Financial Officer, Subsea 7

Q3 2020 income statement summary

Thank you John and good afternoon everyone. Slide seven shows our income statement highlights. Third quarter revenue was \$947 million, broadly in line with the same period last year, and approximately 26% higher than the first two quarters of 2020, reflecting higher levels of activity in Norway and the Gulf of Mexico in SURF and Conventional, in addition to an increasing contribution from our Renewables business.

Adjusted EBITDA of \$114 million, down 37% year-on-year, was adversely impacted by reduced activity in SURF and Conventional as well as logistical and operational costs associated with COVID-19 of approximately \$20 million, net of recoveries. When compared with the second quarter, adjusted EBITDA was up 20% mainly due to higher Renewables activity.

Adjusted EBITDA margin was 12%, seven percentage points lower than the margin achieved in the third quarter of 2019, but broadly in line with the second quarter adjusted for \$104 million in restructuring charges. The net loss was \$43 million, equivalent to a diluted loss per share of \$0.14.

Q3 2020 supplementary details

Turning to slide eight for additional details of the income statement. Administrative expenses improved by \$26 million against the prior year, driven by reduced tendering activity and travel costs as well as progress on the implementation of our cost reduction plan.

Depreciation and amortisation decreased by \$15 million, compared to the same period last year, reflecting the exit of Seven Pelican and Seven Mar from the fleet earlier this year. The tax charge of \$32 million this quarter reflects the fact that we were unable to recognise tax

credits on losses incurred in certain jurisdictions as well as the impact of irrecoverable withholding taxes.

Cost reduction programme – update

Moving on to slide nine to discuss our progress on the cost reduction programme, which is targeting annualised cash savings of \$400 million. Plans for fleet and headcount reduction remain unchanged. We envisage a net reduction in our fleet of up to ten vessels and our workforce is targeted to be reduced by 3,000 people.

Since we announced the cost reductions, we have extended the Seven Waves contract in Brazil and decided to reactivate Seven Phoenix, converting it to cable lay in Renewables. These changes have been incorporated into our plan and do not affect the eventual outcome. However, rephasing of certain activities from 2020 into 2021 by some clients has extended the timing of the savings realisation to the end of 2021.

We have made minor changes to the phasing of our capital expenditure plans. CAPEX for 2020 is now expected to fall in the range of \$210 million to \$230 million, \$20 million lower than the guidance given last quarter. In both 2021 and 2022, we are projecting capital expenditure to be approximately \$130 million, in line with our previous guidance.

In addition to sustaining expenditures, mainly on vessels, our capital spend will target investments in digitalisation and technology, the conversion of Seven Phoenix, and selective enhancements, including environmental, to the fleet and shore-based facilities. No new vessel construction is planned.

Q3 2020 business unit performance

On slide ten, we summarise the performance of our operating business units. The SURF and Conventional business unit generated \$613 million of revenue in the third quarter, 26% lower year-on-year, mainly due to lower activity in the UK, Africa, and the Middle East.

In the UK, diving activity was significantly lower than the third quarter last year. In Africa, as noted in earlier quarters this year, there was an absence of conventional work in Nigeria while in the Middle East, activity has been minimal since the advent of COVID-19. The timing of certain projects remains under review, including Marjan 2.

Conversely, activity remained strong in Brazil, where the PLSVs achieved high utilisation and in both Norway and the Gulf of Mexico, which recorded high levels of engineering and fabrication activity. Life of Field revenue on the quarter was broadly in line with last year at \$65 million. Renewables and Heavy Lifting revenue was \$269 million, a five-fold increase compared to the prior year, mainly driven by the ramp-up in activity related to the Seagreen project.

Net operating income for SURF and Conventional was \$3 million, compared to \$62 million in the prior year, as a result of low levels of activity and costs associated with COVID-19. Life of Field reported net operating income of \$11 million in the quarter, compared to \$6 million last year, largely attributable to high vessel utilisation on firm and spot work, in addition to continuous activity on the three long-term contracts.

Our Renewables business unit finished the quarter at breakeven levels. Progress on the Seagreen project exceeded 5% of completion during the quarter, thereby allowing us, in line with our accounting policies, to recognise profit margin. This was offset by delays to project in

Taiwan, which meant that three of our four renewables vessels were only earning standby rates.

Summary of cash flow

Slide eleven shows our cash flow waterfall chart. During the quarter, net cash generated from operating activities was \$122 million, including a favourable movement in working capital, partly due to milestone payments on Seagreen and reduced activity levels in the Middle East.

Our capital expenditure in the quarter was \$20 million, compared to \$33 million in the prior quarter. We incurred \$29 million in lease payments, mainly related to chartered vessels. At the end of the quarter, we had \$542 million in cash and cash equivalents, an increase of \$59 million from the second quarter of 2020. Our net cash position improved to \$53 million, including lease liabilities of \$273 million, equating to a \$326 million when lease liabilities are excluded.

Priorities for cash

Our capital allocation strategy remains unchanged and is focussed on three objectives: protecting the balance sheet, reinvesting in the business and returning excess cash to shareholders.

We maintain a strong liquidity position with a revolving credit facility of \$656 million and the Euro Commercial Paper programme equivalent to current exchange rates to approximately \$800 million, both of which are unutilised, in addition to a cash and cash equivalent position of \$542 million.

Our balance sheet strength provides us with the financial stability to preserve the competitiveness of our oil and gas businesses, while affording us the flexibility to capture growth opportunities in the renewables market. An example being the conversion of Seven Phoenix cable layer. As we have already discussed, we continue to invest in the business in a disciplined manner, including selective investments in renewables, in digitalisation, and technology.

The third objective is returning cash to shareholders. Subsea 7 has returned nearly \$2 billion of excess cash to shareholders over the past ten years. We remain committed to returning surplus cash when conditions permit.

Financial guidance

To conclude, slide 13 shows our guidance for the full year. Last quarter, we provided 2020 guidance for the first time this year in light of improved visibility, despite remaining uncertainties relating to the impact of a new wave of COVID-19 and phasing of existing projects and prospects.

Our expectations for the remainder of the year are largely unchanged. Revenue is expected to be in line with 2019 levels. We expect adjusted EBITDA to be broadly in line with current market expectations, excluding restructuring charges of \$99 million, but including COVID-related net costs of approximately \$65 million through September.

Our administrative expenses are expected to range between \$230 million and \$240 million. 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. Finally, for 2020, as I have already mentioned, we have updated our expectations for capital expenditure, which is now expected to range between \$210 million and \$230 million.

Turning to 2021. While the impact of COVID-19 remains difficult to evaluate, we expect revenue to be above the levels achieved in 2020, partly due to the rephasing of some SURF work from 2020 as well as continued growth in Renewables. We expect EBITDA to improve year-on-year and the forecast net operating income to be positive.

I will now pass you back to John.

Strategy

John Evans

Chief Executive Officer, Subsea 7

Strategic focus areas

Thank you, Ricardo. You will be familiar with our strategy summarised here on Slide 14. Today, I would like to focus on two milestones: one, related to the Subsea field of the future and one on Renewables, but both relating to our vessel capabilities.

Subsea field of the future – systems and delivery

After three years of construction, the third quarter saw the completion of the Seven Vega, our new state-of-the-art, rigid-reeled, pipe-lay vessel. She has now finished sea trials and is currently picking up the BP Manuel EHTF pipeline from Vigra in Norway and will be on her way to the Gulf of Mexico.

She offers our clients greater efficiency, with fewer trips to complete each project as well as being equipped to lay both rigid and flexible pipelines, leading to higher levels of utilisation. Seven Vega, already has a good backlog of projects, starting with a series of campaigns in the Gulf of Mexico.

Energy transition – renewables

Now, moving to slide sixteen. As you know, in September, at our Renewables Investor Day, we announced the \$25 million conversion of the Seven Phoenix to an inner-array cable-lay vessel for the Renewables business.

That process is now underway in Poland. She is due to join the fleet towards the middle of next year. Phoenix will execute our strong backlog of cable lay work in 2021 and 2022, including inner-array cables on the Seagreen project.

Outlook

On slide seventeen, we have a view of the outlook for tendering in the coming 12 months. Whilst the bidding pipeline for oil and gas projects remains relatively quiet, we have pockets of opportunity.

With its low oil price breakevens and world-class discoveries, Brazil remains a bright spot. We continued to work on the feed for Bacalhau. We expect conversion to a full EPCI in the first half of 2021, subject to sanction by the client. We have commenced bidding for the Mero-

3 SURF package and expect to see the Búzios-6 SURF package bid in the first part of next year.

Norway is another highlight where we are seeing an increase in interest, following the changes to the tax regime. Finally, prospects in the Gulf of Mexico remain good, driven by low-cost tiebacks that leverage existing infrastructure.

In Renewables, we are seeing good levels of activity across the globe. Our teams are busy on a long list of tenders in each of the three main regions: Europe, Asia, and the US, including for existing clients, such as Ørsted and Equinor, and potentially new clients like Shell and EDPR.

Summary: well-positioned across energy markets

To summarise, we turn to slide eighteen. We finished the third quarter in a strong position with a resilient backlog of \$6.8 billion, including \$3.6 billion for execution in 2021 and net cash on the balance sheet.

From this solid foundation, we are well-placed to safeguard our market-leading position in oil and gas through the cycle. Our cost reduction plan will help protect our margins and we retain the flexibility to respond to any improvements in conditions.

In Renewables, our financial strength has given us the flexibility to make a disciplined investment to accelerate the growth in the offshore wind industry. Our ten-year track record of managing large, complex projects and our strong backlog gives us the platform from which to continue to build this business and to reinforce our proactive participation in the energy transition.

And now, Ricardo and I will be happy to take your questions. Thank you.

Q&A

Mark Wilson (Jefferies): Hi, good morning. I would like to ask about the Seagreen project from here versus the Beatrice project before. What are your learnings from that previous large EPCI into this one? Does the profile of profit recognition from here – will it be similar to Beatrice? Could you explain that profile, how that will come out over the next few years? Thank you.

John Evans: Thank you, Mark. Yes, the project has started off well. We are fabricating in all three of our fabrication yards: the two in China and the one in the Middle East. Progress is well under way. As Ricardo said, we passed the 5% completion this quarter, so going as planned. We did a lot of work with a client in the run-up to the award to make sure that we were fully aligned on the awards into the industry and the sub-contract partners that we selected. We hit the ground running and that is going well.

There is a slight complexity in comparing Beatrice with Seagreen on profit recognition because we started Beatrice part-owning SHL. We completed Beatrice fully owning that business, for us, it is not quite a straight read across from one and the other. However, as Ricardo said, we will be following our standard POC-based profit recognition on the project. It is exceeded 5% and will continue as cost-on-cost is achieved quarter-by-quarter.

For us, we expect to see more fabrication and more procurement pushing through into 2021. Then, we will be starting to offshore the first campaign late-2021. There will be a further offshore campaign in 2022.

Pretty comfortable that we are following what we learnt. Obviously, the same client. The two of us have learned things together. The teams are very aligned and we have a good approach on our project. At the moment, we should see it moving as planned.

Mark Wilson: Okay. Thank you very much. I will hand it back.

Frederik Lunde (Carnegie): Hi, there. Good morning. I was just curious on your backlog for Q4 looks quite high. Should we expect margins to also trend upwards, reflecting operating leverage? Could you give some flavour on that?

John Evans: Yes. Frederik, I think one thing to think about is coming back to the last answer here, we have quite a bit of a Beatrice – sorry, Seagreen going through. Lower margin renewable work going through there as we really kick into the main fabrication elements that we have there for Q4. For us, it is about we will see a larger revenue contribution.

The other way to think about is we will have both the Oceans and the Vega working in quarter four as well. We do expect to see an uptick in some of the workload that we will be seeing going through this. A mixture of more renewables at lower margin and the Vega cutting in on the pipelay side.

Frederik Lunde: Super. Looking into next year, obviously, your guidance is of the same – very much as expected, fairly vague. However, your backlog now \$3.6 billion is a very solid coverage on consensus for 2021.

Do you have any visibility on potential awards for the next six months that could really impact next year's revenue or to the – another way, would it make sense to use the conventional ratio of the normal backlog coverage, going into next year, and then make an assumption on the awarded orders?

John Evans: I think, Frederick, it will be important to consider the fact that we are seeing the oil and gas sector, in particular, having a long pause, in terms of where it is going to. In my prepared remarks, I gave you the geographies that we think there are opportunities. We are also seeing other geographies where things are pretty much slowing down such as the UK, Africa, Middle East, and some parts of Asia. I do not think we can do the standard read-across of where we would normally be at this point and just say, 'well, there is another pile of revenue to come.'

The other thing, I think it is very important and I think we have telegraph this to the market quite regularly, that there are some key contracts that do need to be awarded to us such as Bacalhau sanctioning, Scarborough sanctioning into next year that are important for us for future years.

I think at the moment, we do not expect to see a very big surge in unawarded work next year. I think one of the things to remember this quarter, unawarded work has some distortions in it. Our PLSV extensions has come through escalations this quarter. Again, I think I would be cautious about just reading that straight across into future quarters.

Frederik Lunde: Great. Thank you.

Michael Alsford (Citigroup): Thanks. Good afternoon. I have a couple of questions, if I could, please.

Just looking at this year's underlying EBITDA margins, if you strip out the restructuring costs of \$99 million and COVID-related costs of \$65 million, it feels like the EBITDA or underlying margin is around what 13.5% year-to-date. I am just wondering whether that is a good reference point as we head into 2021 on the backlog to be executed next year.

Then, secondly, if you could maybe talk a little bit about the Renewables bidding pipeline, if there was a way you can perhaps differentiate in the market around your integrated approach? I was just wondering whether you could give a sense as to – on the projects that you are tendering for in Renewables, how much, as a percentage, is really an integrated type scope with array and – array cables and foundations and perhaps how much is, I guess, also lump sum turnkey contract type work? That would be great. Thanks.

John Evans: Yes. Thank you. I think what is interesting for us at the moment on Renewables is that Taiwan, which is one of the growing markets where there is opportunity today, is going more a traditional segmented route so that will be more standard T&I. As we saw with projects like Hollandse Kust Zuid, there is interest in Europe towards combining transport and install cables with transport and install foundations.

However, I think the market that is showing quite a bit of interest is the US market. A lot of big players have moved into the US market. We are bidding, as you see on the slide where we show our outlook for what we are bidding, a number of projects in the US. What is interesting on those projects, they are bid as standard segmented projects, but some of the discussions with the clients are, 'Can you explain to us what are the advantages of combining, for example, transport install cables with transport and install foundations?'

Also, some of the clients are also looking at the US market as to a view now with they can see probably four or five years of projects coming together. They might be looking to package some of those together. I think it is fluid, I think it is the answer to the question. However, I think what is interesting is the dialogues with the clients are about, 'Okay. We bid them out in these modes. What would be the advantage of doing that?'

We will see how they finally award those packages. Also, as well, I think the change in the political landscape in the US may also be of interest, in terms of the speed at which those US projects might speed up as well. For us, I think the US will be the area in the Renewables that will offer us opportunity.

Could I just ask you – can you just give us the 2021 question again? Sorry, because I did not quite catch that first time, right.

Michael Alsford: Yes. No, of course. It was really looking at the underlying margins. You are generating EBITDA margins for the business. If you take out, I guess, COVID-related costs and the restructuring costs, the business seems to be doing about a 13.5% EBITDA margin.

I am just wondering whether that is a good level to think about as we head into next year. I appreciate there is a mixed shift towards Renewables. Equally, you are going to see cost savings coming through from the cost saving programmes. I just wonder if you could maybe elaborate a little bit more on the evolution of margin. Thanks.

John Evans: That is fine. I will ask Ricardo to answer that. Thank you.

Ricardo Rosa: Yes, Michael. As you know, we never comment specifically about ranges of margin percentages on EBITDA. However, I would reiterate the comments that we have included in our outlook, with respect to 2021. You are correct in assuming that our guidance is measured against our projected actual results of 2020.

We are excluding the restructuring costs. However, we are including forecast COVID-19 net costs for 2021. Clearly, that is a key variable, where we are assuming that there will be lower next year. However, we do not know, given the fact that we are having – the world is facing a second wave.

We do expect to see the continuing impact of the cost reduction measures that we started this year. However, I must emphasise that our cost reduction efforts are designed to protect margins. In the current difficult environment, it is – we are not assuming that there is going to be a margin widening as a result of those efforts.

We have mentioned the fact that Renewables will be a key element of our activity next year. We will also see a reduced contribution from PLSVs as a result of the extensions that we have achieved. We still believe that that is an excellent outturn, given the market as it is.

We are – we will be executing projects or we expect to execute projects that have been awarded in what were relatively difficult circumstances still in the market. Those are the variables that I think you need to evaluate in assessing the possibility of a widening EBITDA percentage.

Michael Alsford: Great. Thanks very much for the extra colour. I will hand it back.

Amy Wong (UBS): Hi. Thanks for taking my question. I had a question on your tendering pipeline, which is how would you, I mean a lot of the projects that you have listed on slide 17, and that is very, very helpful. We have seen those projects on there for a while. Could you talk a little bit about how the current mobility restrictions, how your conversations are evolving with your customers? Is it a bit more difficult to get new projects on the list? How has that almost like a pre-tendering pipeline looking? That is my first question, please.

John Evans: Thank you, Amy. I guess like all these things, COVID has made the relationship slightly more complex, but it has not meant that we have not carried on. I think what we have on slide 17 is the result, really, of the oil price crash and the rethinking that our clients have done on the oil and gas side.

What we are seeing, as we mentioned in the prepared results, is the fact that they are very much certain areas where, for example, Norway tax breaks have meant that clients are engaging with us, wanting to look at their projects, wanting to accelerate, to make sure that they can sanction those projects in good time, to make sure they are a part of the tax break system. So Norway has a dynamic which is positive and which is strong.

I think markets like UK are quieter. We are seeing a lot of transactions where operators are buying and selling assets to each other, but not really focussing on putting new infrastructure into place. I think in the Gulf of Mexico, as I mentioned, we are seeing good dialogue with clients there because they have existing infrastructure. They have existing export routes to market there through existing hub systems there. Again, a good dialogue there.

Brazil, we know that Petrobras made a very ambitious bid for the Búzios transfer of rights fields. We have seen Petrobras carry on with their discussions. They briefed to the market that they would be looking to bring Búzios 6, 7, and 8 in quite close timescale for bidding. So 6 is out at first part of next year. We would also expect to see 7 next year and probably 8 next year as well. Those dialogues continue to be positive. Clients are quite open with us about what they are trying to do. Bacalhau, we have mentioned that, that we expect that to turn into a full contract in the first half of next year.

Moving over to Australia, Australia is really a story of LNG and continuing to feed LNG plants. Jansz-Lo is the next phase of Gorgon, where they are putting a compression system into Gorgon to improve the pressure in the field. That is outside a bit at the moment. Woodside Scarborough, again, very public. Woodside, this week, again, is making very positive statements about which way they are going.

Middle East is quieter as our clients are trying to decide where their cash flow is going and how they want to spend. Ricardo touched on that Marjan 2 has been looked at by Saudi Aramco at the moment as is their current profile. Although Qatar is very positive and we see two big projects such as NFPS, which are large pipeline projects and NFE, which, again, is a large pipeline projects out to the market.

If we go around, we can see a number of activities moving. Lastly on Africa, Pecan and Rovuma, as you know, we were favoured contractors and continue to be favoured contractors on those projects. They are a little bit more longer term discussions with the clients as to when they would be looking to sanction those projects, probably towards the back end of next year or early part of 2022. Whilst SLGC is a near-term opportunity that we would expect to come to the market in the first part of next year.

A mixture of some names, Amy, that you are quite familiar with and some new projects that are going on there as well. I think it is more about this is where our clients are choosing to spend their time and money, and these are the projects that they are interested in the near-term.

Amy Wong: Sure. That is really helpful colour. Thanks, John, for that. My second question is a bit related. It is also around your customer base.

In your prepared remarks, you talked about in your Renewables business that you could potentially get to some new clients like Shell and EDPR. Shell, for example, obviously, is already one of your customers in your oil and gas business. Could you give us some talk about how it works when you are working with Shell on the Renewables side, are their practices similar, different? Any synergies talking to the procurement side from that business?

John Evans: Yes. I think what is interesting, we are seeing our major oil and gas clients such as Total, Shell, BP, Equinor. Although, as we all know, Equinor have been in renewables for a decade. They are in a slightly different places in this, looking at how they are doing it.

We had a meeting last week with one of those three where they explained how they are going to work in the future. I guess what is very interesting, a lot of those companies are using their project development organisations that we are very familiar with in oil and gas. It is representatives from those areas that will be running these projects. There also, we have

done some sessions privately with the senior leaderships in those companies about how integrated projects work, how EPIC projects work, how T&I projects work in renewables.

So I think we are at that stage, Amy, where they have made the commitment to move in and they all learning and trying to position themselves. They are quite comfortable with EPCIs in some of the areas that we are very interested in talking to our clients on. At the moment, there is a transition going on. but, there is a linkage between people that we know from the project development sides of each of those companies moving into that space.

And I think each client is working different ways of moving in. You saw, for example, BP link up with Equinor and Empire Wind in the US. But, again, the operator on that job is Equinor and we have our linkages with Equinor there.

I think it is an interesting time. The speed with which the major operators are committing very definite money on renewables is a positive for us. I think those linkages will be very useful for us in the years to come.

Amy Wong: Very clear. Thank you very much.

Vladimir Sergievskii (Bank of America Merrill Lynch): Yes. Hello, gentlemen. Thanks very much for taking the time. Just a couple of quick clarifications from me.

Just, on the backlog for execution next year, so it is \$3.6 billion. Is there a portion of this \$3.6 billion, which is still subject to clients potentially changing payment on the project or it is largely set by now? Would you be able to disclose what proportion roughly of this \$3.6 billion is related to Renewables? That is the first one.

Secondly, very quickly, on the evolution of lease payments. What do you expect to happen to that next year, you and your efforts to optimise the fleet? Thank you very much.

John Evans: Thank you, Vlad. As ever, a number of questions in one there. On the phasing, Vlad, I think it is fair to say that the discussions on phasing is still not quite over yet with our clients. I think it is fair to say the Middle East countries clamped down very, very hard post-COVID. The timings at which the projects will actually take place is a bit fluid at the moment, certainly in the Middle East.

I would not say that the \$3.6 billion is all clear and all are finalised. Although the conversations we are having with our clients are constructive and everybody is aligned to trying to manage how that happens – as Ricardo said, the second wave of COVID and which parts of the world that impacts and where that comes in. Yes, we understand the rules as we understood them last time, whether or not they will be the same. Some countries change them so we have to manage that.

Effectively, we think we have a reasonable understanding of how our work is coming together, but clients are certainly very much, as we have said all along in COVID, looking at re-phasing to manage their cash flows and manage some practical issues further up and down the chain as well rather than looking at retendering or cancelling work and moving it. The re-phasing, getting there but, I would not say it is over.

In terms of lease payments, maybe Ricardo, you could take the lease payments question?

Ricardo Rosa: Certainly, John. Good afternoon, Vlad. Clearly, you are asking us about – we cannot provide detail on individual lease payments and lease commitments because they are

commercially sensitive. But, I think it is fair to say that the bulk of our lease liabilities that is on the balance sheet relates to our vessels that we have chartered. You can identify those vessels on page 23 of our investor pack.

Fundamentally, they are – the majority – the vast majority of those vessels are assigned to life of field work. What I can say is that the contracts are relatively short-term so we have some flexibility there, in terms of what we can achieve in cost reduction, depending on our capacity needs. It is the safest – I think it is a safe assumption to assume that we will be reducing our commitments in the coming years.

Vladimir Sergievskii: That is great. John and Ricardo, thank you. Very quickly to just clarify, will you be able to provide some detail on what proportion of next year backlog for execution is related to wind?

John Evans: We do not normally break that out but, I think you can look at where we were at the end of the last quarter with \$7 billion, with about 30% of it on Renewables as not being a bad proxy for roughly what that might be looking like in the next year or so.

Vladimir Sergievskii: Thanks very much.

Sasikanth Chilukuru (Morgan Stanley): Thanks for taking my questions. I had two, please.

The first was going back to the costs related to COVID and the \$20 million that you have taken in this quarter. I was just trying to understand if you could provide some clarity on what these underlying costs were especially in this quarter? I just wanted to see or understand the reoccurrence of these costs in coming quarters.

In that context, does your current guidance for 2020 EBITDA, does it incorporate any further impact in 4Q? Also, given the current conditions, what are the chances of these costs spilling into 2021 as well?

The second question I had was regarding your comment of returning excess cash to shareholders. You are talking about conditions being – if they were favourable that you would come back to this policy. I am just trying to understand what are those conditions? What are the conditions that you would think would trigger returning excess cash to shareholders? Is it more to do with the net debt on the leverage side? If you can – any comment on that would be useful as well. Thank you.

John Evans: Thank you. I will try to answer the COVID question first and I will pass over then to Ricardo to talk about how we think about returning excess cash to shareholders.

The important thing to remember about COVID is every single country or every single state in every single country has their own set of rules that costs us money. We have been very open from day one that there is a cost to keeping working in a COVID-safe way.

Generally, our offshore teams work five or six-week rotations. In many countries today, we have to quarantine them for two weeks before they go off shore. They then have to have two tests in that period. Then, they have to go offshore. That is one chunk of money that we see that exists.

Places like Taiwan, if I recall, you need to do two weeks quarantine when you come back before you leave the country. That takes a five-week shift up to a nine-week shift. You might extend the shift a bit longer, but that again is another slug of money that we spend.

We are also finding moving people backwards and forwards around the world with the drastic reduction in airline and number of flights. What used to be a two-day trip from Brazil via Amsterdam back to somewhere in Europe is now a three or four-day trip via a number of legs around the world.

We also had a situation during this quarter, for example, where one of our ships in the US had to go and stand in port for two weeks because we had one positive case on the vessel. Again, the US port authorities said that the vessel does not leave until two weeks' clean test results.

I guess the answer to the question is it varies by every country that we work in. We had very much hoped that we would be seeing the end of this by the time we got to quarter four, although now we are starting to see a resurgence. There were the changes in rules in Norway in the last week, in terms of what is now expected and what quarantine levels are required for mariners coming in and out of Norway.

I think to answer your question, we are like everybody here, we manage it as best as we can. We have the same information as everybody else has on this topic. However, there is a cost to it. We have to recognise that there is a cost to it. We believe it is a cost to the business. That is the reason we deduct it from our EBITDA. We know our main competitors do not. I would hope that when you compare us to our competitors, at least you put us on a like-for-like footing.

Will it spill over into 2021? I do not know. I really do not know. Although we are seeing at the moment that there is a reemphasis on working from home in many parts of Europe and very much a self-protection mechanism in many countries.

If you look at the UK at the moment, we have completely different rules in Scotland than we have in England at the moment as well in our operations. It is not just countries. It is actually states and sub-elements of that to manage.

I will hand you over to Ricardo to talk about how we look at excess cash.

Sasikanth Chilukuru: Okay.

Ricardo Rosa: Thank you, John. If I could just make one last more comment on COVID. I do want to emphasise that these are net costs. To the extent that clients specifically reimburses the cost, so even governments, an example being furlough. We will take that into account in determining the net impact on our profitability of the virus.

On the question of returning excess cash to shareholders. As I indicated in my prepared remarks, we have a good track record of returning cash to shareholders. However, we have never committed to a regular dividend. We believe that the inherent volatility of our business requires us to take a flexible approach.

We are definitely investor-friendly, shareholder-friendly, nevertheless. I do want to emphasise that. We, together with the Board, will evaluate whether or not there are – there

is excess cash to be returned to shareholders, in the light of the microenvironment and the trends we are seeing there.

The prospects for the two business – the two main businesses that we are in, which is obviously SURF and Conventional and Renewables. We will evaluate the needs for reinvesting in the business for future growth, be that in the form of capital expenditure or M&A. Also, the importance of maintaining what we call – an investment grade profile, which we see as a competitive advantage in this sector.

Only after evaluating all those elements, will we consider the amount that we can – that can be returned to shareholders.

Sasikanth Chilukuru: Thank you so much.

Ricardo Rosa: This is a process that takes place on a regular basis and at least every year.

Sasikanth Chilukuru: Sure. Thank you very much.

Ricardo Rosa: Okay.

Kévin Roger (Kepler Cheuvreux): Yes. Good afternoon. Thanks for picking up my questions. I have only one last question. Maybe it is a tricky one, sorry for that.

But, if I just focus on your SURF activity commercial pipeline, would you say that for next year, it is likely that your order intake will be better, especially as we add some positive news on some contracts like Bacalhau in Brazil? With some major opportunities like this one, your order intake in SURF would be better in 2021 than 2020?

John Evans: Kévin, I think it is a good question. As I mentioned earlier, there are number of projects – Bacalhau, Scarborough – where we are the selected contractors subject to FID. The FIDs on those rather large contracts are in a process where our clients have been transparent with the markets about how are they going to make their decisions. We would expect that we would start to see that in next year, we would see some of those larger projects kicking into place.

Where we will be with some of the smaller projects? Not so clear because we did quite well in the first quarter before COVID really hit us, in terms of that. However, I think it is fair to say directionally, we would be expecting to see some of the bigger projects starting to cut in.

Hopefully, a year from now, we would have a better visibility on Rovuma and Pecan. Also, as well, we would expect that Mero-3 and Búzios 6 would have been awarded to the market by then. I think directionally, that is not a bad way of looking at it.

Kévin Roger: Okay. Thanks a lot for that.

David Farrell (Crédit Suisse): Hi, I got in. Thank you very much for taking my questions. Two, please.

I just wanted to ask on the Seven Vega. It is good to see that that has finally being taken on by Subsea 7. I was just wondering is there anything left to do, in terms of commissioning prior to that vessel starting work, that might risk the execution of the project?

Then, my second question was on the three vessels you have in Taiwan. How long do they have to – can they stay there? At what point have they got other work that they obviously need to get on with in 2021, which will be outside of Taiwan or in another project in Taiwan?

John Evans: The Seven Vega has passed its commissioning. We have accepted the ship and she is now in our fleet and under our control and operation. As ever, with a big build-out, there are some minor punch list items. However, we are comfortable that the punch list items can be managed.

She is loading product at Vigra for BP, our client. We went through quite a rigorous process of commissioning the vessel. As I mentioned in my prepared remarks, she has a long list of projects to execute.

On Taiwan, it is about access to site and authorities' permission to be given for access to site. That is something that I would prefer our clients would deal with that. I do not intend to give you any more answer on that topic. It is a matter that our client is working on and I do not think it is a right that I give any more information on that at this stage.

David Farrell: Just a follow-up, Ricardo. The only thing to say, in terms of the direction of working capital either in fourth quarter as we head into 2021, obviously being a tailwind this year. However, is there anything from Seagreen that is still left to come through that might continue that tail-wind into next year?

Ricardo Rosa: David, I – we do not usually give detailed guidance on working capital at this stage. However, what I would say is that we have, in addition to some very good efforts to improve our working capital position, we have benefitted from advanced – from the milestone payments that we have had from Seagreen, in particular, to assist us in the procurement phase of the project. I expect that, although we will remain in a positive cash position, I expect some of that to unwind in the course of the coming months.

Furthermore, as activity picks up again in Saudi Arabia in particular, the payment policy of Saudi Aramco is such that you would expect to see an increasing investment in working capital in the coming months as well. On balance, I am not expecting to see that the positive impact of working capital that we have had this year repeated next year, but we will manage it tightly.

David Farrell: Okay. That is very clear. Thank you.

Nick Konstantakis (Exane BNP Paribas): Hi, guys, and thank you for taking my question. In the Renewables presentation, you spoke of the 2025 revenues of about a \$1 billion considering the acceleration of the installation market and the work there post that '25 to '30, if we can look that far out where we are sitting today.

Is there any reason why your revenue wouldn't grow, if not in line with that, and that is even without necessarily investing into new vessel which you have clearly said you do not want to do.

And then secondly, just a very quick one for Ricardo, of the costs you have been incurred so far due to COVID, is there any discussions or any potential to get part of that reimbursed within the fourth quarter into next year?

John Evans: So I think your question on renewables, I will answer first, then Ricardo can answer the COVID question. We see the market growing and we shared that during our Investor Day. For us, it is a great opportunity, that we can see it is a little bit lumpy. It is up and down from where we are now to 2024.

Then after that, then we can see a very clear path that it will grow. We are very clear in our thinking that as these projects get larger, more geographically diverse, the clients will be looking more towards EPCIs and that is an area that we feel comfortable to offer. We can run multiple EPCI projects in oil and gas in parallel and we can see that as being an opportunity for us in renewables.

As we mentioned in the Investor Day, renewables has a larger propensity towards subcontracting among the main players for different packages, because there is more uniformity of, for example, 5,000 ton lift cranes in the foundation market. We all have similar capabilities, whereas in the SURF business, there is a lot of very tailored assets that do certain things.

So for us, we do believe that the opportunity post 2025 is very good for us. There is a good steady growth from here to 2025, but then there is a major step up in the whole market. We will be keeping a very careful eye on what opportunities that market gives us as well.

So I think to answer your question, we have the ability to run multiple projects, large projects in oil and gas, and therefore we can do the same in renewables. When that opportunity starts to materialise 24, 25, 26, I think we are well-placed to capture that. You asked a question about how to view COVID costs. I will ask Ricardo to finish that one off as well. Thank you.

Ricardo Rosa: Thank you, John. The question of COVID cost recovery is a very difficult one to model. What I would say is that some clients are more open to recognising that there are additional friction costs that we incur in executing the projects, others take a much less sympathetic stance. We work with them. We engage with them regularly and constantly, and reminding them of the costs that we are incurring. Clearly, there are a number of commercial discussions around our contractual relationships with them in that context.

So, I think that it is fair to say that in some cases we are successful in convincing clients to give us a reimbursement. It is certainly not a general case, and there is always a time lag between the costs incurred and the recoveries. As a result, it is a very difficult number to model on a quarter-to-quarter basis. I think you can assume that to the extent that COVID continues to affect our businesses, that we will incur a net cost in every quarter. However, again, I do want to emphasise that we work hard to recover where we can, the costs that we have incurred.

Nick Konstantakis: Understood. Thank you.

James Thompson (JP Morgan): Great, thank you very much. Gentlemen thanks for taking my questions. I just wanted to follow up on COVID just reading or listening to what you said just now, Ricardo, should we assume then embedded in your 2021 guidance is a similar run rate for COVID costs or is it something like...

Ricardo Rosa: James, that level of granularity is not something that we are prepared to disclose. We have made an assumption that COVID will not disappear completely in 2021. We believe that is too optimistic. But, we are assuming that the impact will be reduced as compared to 2020. Time will tell whether we are too optimistic on that front.

James Thompson: Okay. Okay. That is clear. Then, separately, and just thinking about obviously you had quite high escalation this quarter and John, you have spoken a lot about rephasing particularly in the Middle East. Is this then an opportunity for scope changes to

remain at relatively high levels, as we go forward? In terms of these contracts, are you saying the extra time, an opportunity to optimise. Are you able to benefit at all from potentially low input costs as well as incurring higher COVID costs? So there is some positive dynamics here that might mean the escalations particularly in the Middle East remain relatively high?

John Evans: I think that the escalations this quarter as I mentioned earlier is a mixture of different things. You have the PLSVs in there, which is a known number, which is a large chunk of it. We also have elements associated with some adjustments, which our clients have given us on some North Sea contracts.

But, I think the Middle East is more about shifting the time. It is not about the money; it is about the timing of which the projects get executed. But, one of the challenges we have is again, when we stretch the times though that increases our costs because we have overheads and other elements in there that we have to do. The challenge we see today is the COVID environment in the Middle East is really black and white; you either can get people in the country or you cannot get people in the country.

And, so for us, it is around, how does all that settle down and when do we execute our projects. The other thing I think it is important to remember and we have discussed this before we have a partner, which fabricates all the materials in India. What happens in India with COVID and the access to those sites, and then the access which we can get the platforms, and the top sides installed is also material to Subsea 7's success in the Middle East. I think the COVID picture in Middle East and India is complex for us and it is more of a risk in my mind than an opportunity. It is more to do with how the timing of those projects moves around and how it all fits together.

James Thompson: Okay. Thanks. Just one final one for me. This year I would imagine that a lot of smaller projects were cancelled during the peak of COVID, 2Q, 3Q, probably particularly in North Sea, and those clients probably still want to do that work next year. Are you seeing quite a lot of activity in the smaller end, the level you do not normally disclose. You have given us good colour on the larger contracts, but do you see a good pipeline of the smaller work coming in the middle of 2020 – 2021, sorry.

John Evans: As I mentioned before, Norway is more about projects that will get sanctioned in 2022 for offshore in 2023 and 2024. Nothing in the immediate term with the tax break there because the tax break is around sanctioning projects to go ahead. Gulf of Mexico, yes, opportunities in the near term. Clients are moving quite quickly there.

As I mentioned, the UK market is a lot of financial engineering going on with different people selling assets to each other, that does not really lead then to a very fast investment decision there. It is a mixed picture I guess is the answer to your question. Fundamentally today, it is the fields that work below \$40 a barrel that come to the top in whichever geography you look at. I think that is the first cut. If these projects do not work at \$40 a barrel, they do not make it into the hopper in the first place.

Then, secondly, then the geopolitical environment in those countries drives it. For us, historically, we picked up a lot of smaller step-outs in the UK, not so sure we are going to see many of them coming in the next couple of years. Norway, we feel comfortable that Norway will give us good opportunity, but not necessary in 2021.

James Thompson: Okay. Very clear. Thanks so much, gentlemen.

Peter Testa (One Investments): Hi. Thank you for taking the questions. I will go one at a time. If you look at the timing of the savings related to project execution, timing moving more towards the end of 2021. Is that embedded in the comments on the backlog size, and that some of that might move or if some of those move – would that also further impact the savings and maybe where you could say specifically where does Marjan-2 fit within those comments?

John Evans: I think the answer to your question is as I said earlier, things are getting clearer to us in terms of timing of projects, but there is still some fluidity in that. Certainly the discussions on the Middle East work are not the place where we can conclude where we are going to be finally on that one of the stages.

Peter Testa: Okay. I guess the question was; if the backlog or Marjan-2 move or Middle East contracts move, does that also mean the savings move since they are related to project – protecting margin in projects?

John Evans: If it impacts the assets, we had ten assets that we were going to do a release. If it affects any of those and yes it will; but for us that is a different linkage point for us. If you know what I mean, we have sized the organisation around the business we see ahead of us in the next few years. We sized the asset based around that. For us, it is only if those assets are extended, for example, as we discussed one of the PLSVs. We now have four PLSVs working whereas we have thought in our mind, we would only have three. That is the effect that those decisions have on our cost reduction plan.

Peter Testa: All right. Okay. Then, on the project delay of execution in Taiwan for the renewable side, which impacted Q3, are you expecting that to be performing at all now in 2020? Or is that more something which will come back into at some point in 2021?

John Evans: As I mentioned to a previous question, that is a matter that our client is working through at the moment, with regarding giving us access to site, and once we get access we will do the work. It is something between them and the authorities and different stakeholders in the country.

Just remember here, Taiwan is a brand new market. There was not an offshore wind job there in two years ago. We go through the learning collectively as an industry of regulatory environments, stakeholder management. We went through all of that in the UK ten years ago with offshore wind farms with protests, from the bird authorities and such like.

It is a growing pain of the new industry. I think we have just got to recognise that Taiwan has exploded in terms of opportunity, but there will be bumps along the road. We are in a situation where we are in a good dialogue with our clients about how we can help that situation.

Peter Testa: Right. I was not clear from an earlier question as to when you expect your next project in Taiwan to be started. When is it scheduled to start?

John Evans: Well at the moment we have one project that is underway and we do to start one project in the next few weeks again, subject to us being able to go to work.

Peter Testa: Yes. Okay. Then, last question is just on the oil and gas side. If you look going forward in the 2021 with the backlog of execution at 2021; if you could give any comments on margin mix changes, and as you think about new projects, larger projects and environment, whether the few of them.

Do you see any particular change in how you work with clients to try to give a comfort on margin transparency as you also do not want to be back on a COVID situation where you – it is unclear as to how those costs are taken. Do you get any different relationships that come – that may also impact how margins work?

John Evans: Well, I think answered your previous question with everything I was going to say about the view of how we see next year fitting together and the moving parts of that. I think one thing that is clear on any new work that will come in there will be clarity as to who takes COVID costs. I think that is becoming clear to the industry.

Those discussions are being had with our clients around the globe. At least the clarity as to who takes what is clear when we started this, the music stopped, and nobody at the start of this year knew what COVID was. I think, the clarity will be there, Peter, in terms of where we see the responsibility lying.

But, as Ricardo says, the level of sympathy between different clients as to whether they feel they need to be sharing that cost. The only thing we need is clarity as to who takes the cost, because if we have to take the cost, we will add it in. That is the way we look at it.

Peter Testa: Okay. No, thanks for taking my questions.

John Evans: Thank you.

John Evans: With that, thank you very much, everybody for joining us for our third quarter call. It is an interesting time in the world. We hope we have answered your questions. I am sure we will be talking to a number of you offline. We look forward to you joining our fourth quarter call in 2021. Thank you.