BOURBON
2011 Annual Results

Wednesday, March 7th, 2012

Christian Lefèvre - Chief Executive Officer

Good morning, good morning, ladies and gentlemen. Well, thank you for being here today and hello also to those listening to us on the web. We decided to introduce this presentation with a video film emphasising a new activity for Bourbon, it's in the offshore wind farm, anchored off the coast of Portugal.

So you see our vessels may provide assistance to an offshore wind fields, even though it is still a small business for Bourbon, but we are confident in the future. We are getting prepared to take part in the wind farm business in the future. Laurent Renard will be presenting the annual results and Gaël Bodénès will review the activities for 2011 and I'll come back to you afterwards to talk about our future outlooks. Thank you.

Laurent Renard - Executive Vice-President & Chief Financial Officer

Thank you and good morning, ladies and gentlemen. 2011 was a year of growth of the operating result plus 59%, and as usual, this growth is mainly driven by the fleet's growth and in a booming energy market. This also comes from the utilisation rates of our vessels, namely for shallow offshore and also at the beginning of an increase of the daily rates and tariffs. Starting with a review of the general context, what I would like to highlight here is the oil price per barrel, prices which remained rather steady; $111 on average for 2011. So the dollar remains stable at high levels, it is a big difference if we compare it with the previous global economic crisis. Now the income statement; so a number owned vessels plus 7% at the end of the year, and a revenue which has increased by 18.6%. When things go wrong, the first objective usually is reached and then it has a domino effect down through the bottom line, but if we consider the income statement, we have a revenue increase which is more than proportional to the increase of the number of owned vessels. Now we're reaching one billion at the time of the conglomerate which already had one billion euro but that's the first time for this support activity, for offshore businesses worldwide. EBITDA is increased by 25%, as I said, more than a proportional increase versus the revenues, $300 million $300.2 million, EBIT plus 59% and we will see other figures later on.

Capital Employed has also gone up, with rather a less important increase for the previous years now. So 85 million euros for EBIT. Now if we break down and go through the figures in details, first of all, there is the financial income we had, a 32 million euro financial income, it's less than 72 million euros. Two important highlights here, the cost of net debt and other financial income and expenses. The cost of net debt has gone up by 10 million, standing at 64 million and that is mainly due to the average net debt increase for the group.

Now for the other items, other financial income and expenses, these are mainly due to exchange rate differences and also a derivatives instrument that are pending instruments - we'll discuss them later on. Then, in 2010, we had an item on discontinued operations. We had disposed of the bulk carrier vessels for a solid bulk in 2010 and we had also disposed of the sugar business in Vietnam. And this discontinued operation generated a net income of 32 million euros which is non-recurrent for 2011, of course. Therefore, we are standing with a net income of 3.6 million for 2011, compared with 37.8 million and net in group, group shared of 6.8 million euros versus 39 million euros the previous year. Now, this light is summarizing what I've highlighted in the previous chart. Now, let's talk about foreign exchange differences. You will remember that when we announced the first quarter business results, I had been obliged to make a lecture about all these issues and you patiently listened to me, but I can't help here talking, showing, on the left hand-side of this side, that the bad news of the first half have turned into good news for the second half. You will remember that every year there are two things to consider. You have the unrealised charges and the foreign exchange realised, and at that time we made the comment, the following comment, we said that they are not necessarily converging and concurrent, and that there are big variations from one year to the next.

And for this half year, as you can see, we have a demonstration of what I explained. Now if we compare it with the 30 million losses of the first half, we have 29 million foreign exchange profit for the second half, so it's a break-even situation. On the right-hand side of the slide, we only reported the actual figures, without considering the unrealised items and you see that over the last three years for the same period, the total is such that it's a zero for the foreign exchange differences realised.

Now, as you know, we have two main business lines today, 80% of capital employed goes to marine services with an increase of 133 million euros in terms of revenues, and 20% of capital employed goes to subsea services which has enjoyed a 23 million euro increase of revenue in 2011. In total, that's a 28.8 million which is not so favourable because of the exchange rates. Now if we consider the net income, how can we explain that we are moving from 39 million in 2010 and down to 7 million in 2011 while I started my presentation and said that Bourbon group is growing? Well, of course, the operating income has gone up net debt has gone up, but let's have a look at the details in terms of net income. At the end of 2010, a netting group of 39 million euros, 31 million because of discontinued operations, non-recurrent. So the base line initially was 8 million, actually. Now how can we explain that we are stagnating to a certain extent? First of all, there was a sharp increase of EBITDA plus 59 million from one year to the next. There are more vessels, therefore depreciation is higher and more dry dock, and here again there is a depreciation for the dry docks. And that's an additional charge of 29 million euros versus 2010. Foreign exchange differences, as I explained, for 2011 are at zero, because there was a minus 30 million in the first half and plus 29 million for the second half, but when comparing it with the 2010 business results in the financial statement there was 10 million euro of unrealised of foreign exchange differences that is non-recurrent in 2011. The cost of net debt has increased by 10 million as I explained, because, of course, the net debt that has gone up and others 11 million euros; that's mainly 10 million of unrealised items, due to the value of derivatives which is no longer visible this year. Therefore, it's a positive net income, but rather modest with 7 million.

Now let's have a look at each business line starting with marine services accounting for 80% of the capital employed. You see the number of vessels has gone up. The owned vessels has increased by 7% which revenue that has increased by 20%. EBITDA has increased by 21% and when we go through each segment, as you will see, there is the impact of their shallow offshore business; bid for the vessels or the utilisation rate.

Now let's have a look at each segment. Deepwater offshore vessels rather steady, not really a significant increase, and we contracted it out with a higher rate because we were concerned about an imbalance between demand and supply in this segment of the market. And our figures are reflecting this policy. We had decided to limit cap-ex (capital expenditure) for deepwater offshore vessels. We contracted out our revenue and all in all, our revenue has increased, but...by three percent standing at 318%, operating margin is at 144 million and EBITDA has increased by 2%, slightly below 111 million.

Now, shallow water offshore vessels has a completely different picture, with Bourbon Liberty a very successful vessel with our customer, and therefore the utilisation rate has increased sharply, 14 points more than 2010. This means a very high revenue increasing by 59% for 16...17% number of owned vessels. The gross operating margin has gone up by 94% at 85 million. Now when things are going wrong on the first line of the table, it does have an impact on your fixed cost and EBITDA, and proportionally more on your EBITDA than the revenue line. But when it's the opposite trend; when it's an upward trend, therefore there is a much sharper increase on EBITDA than the actual revenue, and the operating margin with an EBITDA that doubled standing at 60 million euro for 2011.

Crew boats; the number of owned vessels has also gone up less six percent. The utilisation rate has also increased by 2.7 points and plus 17% for the revenues, but there is a mixed impact because those vessels that were added to the fleet, unlike shallow offshore, for which we have a very homogenous fleet of Bourbon Liberty. Out of the 257 crew boats, there are different ranges of vessels and we have FSIV higher range of boat and it does have an impact on revenues and on costs. So revenues increased by 17%, direct costs by 20%, EBITDA standing at 15.5. million euro plus 9.4% from 2010 to 2011.

The subsea services. As we said for the first quarter, the performance is quite outstanding for 2011, with only one additional vessel for the civil year, for the calendar year. The revenues increased by slightly less than 16% standing at 172.8 million euros. Costs have been well controlled and therefore the EBITDA has increased by slightly less than 28% at 62.5 million euros. It is important to note that utilisation rates are very high 92.3%, little dry dock rates, and it's a very good performance, and also cost control and atomisation has been quite significant for this business line.

Now, the balance sheets, now since we focus mainly our homogenous business on specific business line, what matters is really the fleet and the fleet in operation. Fleet under construction is stagnating, as I explained there is an overlap between two cap-ex programme that is the tail of the Horizon 2012 plan. And in terms of payment profiles for orders and payment of orders for Horizon 2012, it was decided very early on, that is at the time of the vessel delivery, we had already paid 75% of the price of the vessel. And now we have a second programme, called Bourne 2015, and we negotiated with the shipyards...there was a better position for the ship owners in today's context, and we have a different payment system. At the time of delivery, we will only have paid 25% of the price so this is reflected in our balance sheet.

Net debt. At the end of 2010 1.7...700, 665 sorry, million euro, 1.9 billion euro for the end of 2011. There was the tail of the vessels sold to Genco with Sonar which was under construction, but was only delivered in early 2011 and therefore to us and then to Genco. And there were others, the GolfMark sale in the year...earlier part of this year.

The cash generated by operation, 232 million euro. We have carried on with our dividend payment policy plus 53 million euro, that's cash-out for the group. Cap-ex at 365 million euros with a share production compared with the past, due to the payment system for the delivery of the new Bourbon 2015 vessels. And also we haven't placed any order in the second of 2011. So our net debt is slightly under 2 billion.

In the past, some were really were bothered about the financial. We had one billion outstanding with three club deals with the same banks, and mainly the leading French banks. And there were two financial covenants. One which was the net debt over equity and another one which was the operating debt on a EBITDA ratio covenant, and the cut off limits were considered as dangerous by some, and therefore we have renewed negotiations with the banks and the banks from the club deals have accepted to remove this second covenant. And they set net operating debt on the overall EBITDA ratios have been removed as of December the 31st. So, to make sure that you have all the information, even though we won't be disclosing everything, there are bilateral agreements with financial governance which is also calculated based on a net operating debt over a EBITDA, with a ratio of five for 2011 and five for 2012. This ratio at the end of 2011 showed a ratio of 4.2 to make sure the situation is clear is that there is no increase of this type covenant, and no covenant breach in 2011.

So the debt has increased, so now how are we going to find money? Well we are going to find money where money is. We have started with the French banks and you know that we want to maintain long-term relations with all the stakeholders; that is shareholders, employees, customers and also investors. And we are very pleased that the French banks still express their confidence in our business, but they are also going through difficulties. So we went to find other investors in 2010 we had secured a 400 million dollar loan from the China Exim bank, which is visible here on this point chart, but as of today, as you know, we haven't drawn from this 400 million dollar loan because it's funding after delivery and the vessels haven't been delivered yet. They will be delivered in the second half of 2012, so there are 400 million dollars available, but there are just, they are available, but if we decided to show them here. So we have China Exim bank, French banks and also banks in Scandinavia with whom we have worked for many years, even though we are in a difficult economic global setting today, they're still supporting us. And then you have other banks such as BNDES in Brazil supporting us.

How have we funded our business in 2011? Well we had the 89 million euros are still available in existing loans. We haven't drawn from the China Exim bank loan, but 291 million euro of new loans were signed up between French banks, and with French banks and foreign banks for a 50%...50/50 distribution. So foreign banks are really interested in our business and French banks are still supporting us. There are still 747 million euros of vessels in operations that are unmortgaged, and I'm talking about vessels in operation. So unmortgaged assets and the average maturity was of 6 years.

Net operating debt, starting from the net debt, deducting the instalments on vessels under constructions leads us to 1.2 billion euro net operating debt. The cash flow, negative 61 million euro at the end of the year. 232 million euros net cash flow from operating activities. Negative for investing activities were slightly less negative than the previous years' except for 2010 because there was a massive cash-in of the disposal of the bulk area through Genco. Net cash flow from financing activities at 86 million euros, so a net-cash 44 million euros that has improved by 17 million euros from 2010 to 2011.

Conclusion: we've topped the billion mark, this is reflecting the very good health of our partners, the oil and gas companies and the booming sector, the main indicator being the barrel price at 111 dollars, that's an historical record. EBITDA has increased by almost 25%, ABIT up by 59% and also I didn't mention it in my presentation, the capital gain. The unrealised capital gain for vessels in operation has also increased and is close to... was close to a billion euro at the end of the year. This is what independent brokers have observed. And for 2012, we have a plan to sell in terms of foreign currencies, that is dollars, so we have hedged 2012 ABIT in U.S. dollars to the next interest rates of one euro, 1.30 dollars. And the board will propose to the annual general meeting of June the 1st to pay out a dividend of not 82 euros per share, considering that we have already had a free-share for 10 shares last year, so the absolute value for the shareholder that has kept the same number of shares, the dividend remains unchanged.

Thank you for your attention and I'll give the floor to Gaël Bodénès who is going to go through the operations overview. Thank you.

Gaël Bodénès - Executive Vice-President & Chief Operating Officer

Good morning, ladies and gentleman. Well as Lauren indicated, there is definitely an up-turn. So fine weather is ahead of us with a nice recovery prospect...sorry, operating balance sheet is robust. Safety, our 0.68 are in line with objectives; a high utilisation rate by segment. A modern and reliable fleet in line with our customer's requirements. 39 vessels were delivered and our availability rate is 93%, reflecting the high reliability of our fleet. On the market, all the indicators are green, as Lauren mentioned. The price of the barrel is high, but stable. And we also see an increase in the budgets for ratio and production, and a part of our customers an increase in orders for drilling equipment. There is also a higher utilisation rate, reducing the unavailability and then speeding up in the replacement process particularly for shallow water offshore business.

Now, safety is still our main target, the incident rate is 0.68 on a 24 hour basis out of 39.6 million hours worked, and for the very first time, we show you here a comparison with the various players. Segments in green you have Bourbon's results; in purple you have the results for contractors like Subsea7, Saipem or Technip; in light blue, you have the results of our clients, the oil companies and in grey, ISOA, the competitors association representing the average for all the competition. Bourbon's results are two to three times lower than those of the various players on the markets. So we really can boast about excellent safety results.

Now, there would be no operational excellency without the men and women working for Bourbon. We got more than 1000 new employees who were recruited and incorporated in 2011. They are our key assets and we also focus on training. We've got two new simulators; one in Brazil, one in Indonesia and on the right you can see that picture, it's a training seminar for our officers. This training took place in Brest, Brittany, in December 2011.

Now let's have a look at the vessels. 436 operating vessels, one of the most modern fleets on the market; average age is 5.6 years for our vessels. We still have some 100 vessels on order, being built. In 2011, we were delivered 1 deepwater offshore; 15 for shallow water offshore; 22 crew boats and one subsea vessel. On the right-hand side, you can see a picture of a shipyard, the module construction of the new Bourbon Liberty 150 in one of those most modern shipyards in China in that covered shed.

Another highlight and key element concerning our fleet, we are present all over the world and the American continent with a new operation zone, we'll come back to that, but around Trinidad, Cuba; and Suriname, West Africa is still our core business location, with 300 vessels operating. We have 27 vessels in the Middle East; 31 in South East Asia; 9 vessels in the North Sea and 8 in France.

Now as to our technical availability rate. It improved to 93% in 2011. Our objective by 2015 is to reach the utilisation rate of 95%. We already reached our objectives with the subsea activity, deepwater; we're increasing, and shallow water; we stand at 84.7%, thanks to the series building of our Liberty ships. We have to focus our efforts and crew boats, we stand at 90.3 utilisation rate, but we set up an operational team to focus specifically on the organization investment with the crew boats, and we do hope to see some progress soon on that front.

Now, a new development, a year ago we committed to publish an index of our operating costs, and we stick to that commitment. Operation costs are the costs of the crews, maintenance and cleaning of the boats, dry dock and others which are for the step-over expenses, insurance costs, oil. We set up a methodology which was checked by our auditors. The difficulty is to compare from one year to the next, but keeping the same scope. So we defined the year 2011 as the base line year, and at the end of December 2011, we have an index of 106.3 and we deduct the inflation rate, not inflation in France, but it's a basket, inflation basket, covering all our operations worldwide 5.4%, and we get an index of our operating costs at the end of 2011 at 100.9. Slightly increasing, why? Because we're still getting organized, trim-lining, investing in our objective by 2015 is to reduce our costs by 4%.

Now the business, the recovery in the business is reflected through a beefing up in our geographical presence and a broadening of our customers' portfolio. For marine services, for example, we've got five AHTS on long-term contracts in Egypt with the customers, new customers Burullus and Petrobel. Today we operate some ten ships in Egypt where we are one of the main players in this country. In Qatar, Maersk Oil, Maersk Oil company shifted its strategy and now they want to operate their drilling rigs with more modern equipment with dynamic positioning technique. So that's why we were able to sell a Bourbon Liberty to that customer. Geographical diversification in Cuba, we sold two long-term contracts for Repsol the Spanish national, Spanish company, and we are also getting started in Australia with Clough as a contractor. They do maintenance and assistance we work on the gorgon field operated by Chevron, the largest field.

Assistance and salvage; we conducted five assistance operations and its subsea services just like in marine. We diversified our customer's portfolio in Indonesia, for example, we've placed ROVs those are subsea observation robots that you saw in the film for a company called Conoco Phillips. Also we got the delivery of the first Bourbon Evolution 800 in the subsea surfaces, working in Angola, and we extended our contracts for the Bourbon ocean team 101 in Angola and for Fugro company in Australia.

Now, how is that recovery reflected in our operations? Well, first a higher utilisation rate, definitely, and then the beginning of higher daily rates. I'll show you four dashboards, three for marine services and one for subsea services. Deepwater offshore business first. On the right-hand side in this segment you have two bubbles here. We operate 70 vessels in that segment, deepwater offshore segment, the contractualisation rate is high at 85.7%, reflecting on sales marketing strategy. I remind you that the contractualisation rate is the percentage of vessels with a medium or long-term contract. If we look at the utilisation rate, the average rate is high at 89.8% for the year 2011, but it's still on the rise. You can see here, fourth quarter 2011, we reached a utilisation rate of 93.7%. And as to the daily rates, well, the daily rates, let me specify the following: You have three indexes relating daily rates, the average yearly rate is what Lauren showed to you, it characterises the average level or rates for...or rates, it's the static part, but then we use two other indexes for the more dynamic aspects, telling us whether we are growing or going down. The mid-term trend is the comparison between the last quarter of 2010 and the last quarter of 2011. It gives you the heavy trend, a major trend when it comes to daily rates, and as you can see in the deepwater offshore segment our prices have increased by plus 8.5% between the last two quarters of the two years so we are beginning to see a slow increase in daily rates that's very positive. And then if you look at the situation between quarter to second quarter and third quarter, a sharp increase in the daily rates in deepwater offshore segments. That's due to seasonal phenomena here, typically it was the North Sea phenomena and thanks to the weather, we recorded a very good third quarter. What's our objective in deepwater offshore segment? We want to continue boosting, increasing our utilisation rate, but most of all we want to focus on commanding higher daily rates.

Now, shallow water offshore. The two bubbles on the right, you can see that we operate 91 vessels in that segment with a contractualisation rate that's pretty low at 51.7%, there again reflecting or... marketing strategy. We don't want to have our vessels stuck at the bottom of the market in long-term segments. We focused on the utilisation rate sharp increase between the last quarter of 2010 and the last quarter of 2011, we recorded an increase of 90% reaching an average of 87.5% for the whole year.

Looking at the prices again here. Some interesting news, in shallow water offshore, the average heavy trend between the last quarter 2010 and the last quarter of 2011 we see an increase in the rates, at an increase of 3.5% which is very encouraging.

Between the third quarter and fourth quarter, we had a seasonal effect due to the monsoon, the rainy season. I was telling you that we were present all over the world. Today we have some 20 suppliers in operation in Asia and when we're badly hit by the rainy season, the rain season, the monsoon...we are impacted indeed. Our objective in that segment is to continue growing and increasing the utilisation rate and starting to hike up the prices.

Now in the crew boats segment, this is a rather stable activity. We're operating 250 vessels with a contractualisation rate at 68.1%, the daily rates are increasing by plus 24% more on the top of the segment like FSIV, so it's a kind of a mixed affect. On this segment, crew boats, we have to continue focusing on improving the utilisation rate.

Now, the subsea business, it performed very well throughout the year as Lauren mentioned. 18 under operation contractualisation rate at 77.2%, average utilisation rate 93.2%, and a steady increase in the average daily rates, because we've got one additional vessel full time in 2011. And also thanks to renewed contracts so that we can increase our prices. Our objective in that segment is to maintain at that level the utilisation rates while continuing to raise daily rates with the new vessels being delivered and the new contracts or old contracts being renewed. In conclusion, the impact of that business on our operations. Well, first, we can boast pretty high utilisation rates and gradual increase in our prices and daily rates in each of those segments.

Now, the market. Well, all the indicators are green, as I told you. On the American continent, Mexico and the US agreed to have the cross-border agreements so that in that business we can now start working in the deepwater offshore segment. The shallow water offshore in Mexico is still sustained. In Brazil, despite high costs, the market is still very active, particularly in the deepwater offshore segment. In the North Sea, major discoveries were made, particularly in the Barents Sea is almost the equivalent of the current North Sea. So our friends in the North Sea are extremely optimistic these days.

Now Africa, there again we are still making new discoveries in pre-salt in Angola, same thing as what was discovered in Brazil on the other side of the Atlantic, but also new countries such as Ghana, Ivory Coast, Congo. More discoveries were made also in Gabon. So deepwater offshore business in Africa is still growing and the demand for shallow water is also pulled upwards by Saipem, Subsea7, by all the contractors that enable us to get our Liberty vessels to work and increase the replacement process.

In the Middle East, the business is pretty stable, but as I told you with the example of Maersk in Qatar, we see the emergence of a new trend, interesting trend in that sector. There are some requirements to have more modern vessels and less old vessels. And in Asia, the demand is still growing in deepwater offshore, particularly in Australia, Malaysia, but also in new countries such as Indonesia and Brunei.

In shallow water, the market upturn is actually favouring the use of very modern, younger 80 ton pull vessel, rather than the bottom bracket of the segment at 70 tons. So the market is really booming and positive it's very encouraging today.

Now if we look at the deepwater offshore demand when it comes to production, I showed the same paragraph a year ago telling you it was positive with a 7% growth. One year later, we recorded a 9% growth. So it's still continued to grow, continues growing and the key element, bottom right, 150 FPS are under construction. That accounts for 40% of the current world fleet, it's humongous, huge, it's going to pull the market upwards. Those vessels are being built and will be delivered in three-four years to come.

Now, deepwater offshore demand for exploration and drill. The year 2011 with a 4% growth per quarter, so 12% growth for the year; forecast is identical; 12% growth is predicted for 2012. Interesting phenomena, the drilling rigs that were ordered during the first semester 2011 and 12, for the second semester more than 40 drilling rigs were ordered in 2011 for deepwater offshore, it's huge. The previous years, we're talking about four or five drilling rigs equipped, .for each drilling rig the cap-ex is 500-600 million dollars. So 40 of those being constructed, it's huge. The same goes with shallow water, we talk of a growth of 3% per quarter, nearly 4% for the year, and there again, lots of drilling rigs were ordered. Some 50 new generation jack-ups are being constructed, for example. So all the indicators are perfectly green there again on that front.

Now in deep-sea business, over the last couple of years we enjoyed a beautiful growth. We're talking about 20% growth in oil pipes and well heads and for the years to come actually we forecast a greater growth; 30% on the pipes and plus 40% for the well. Where will that happen? Mainly in Brazil, West Africa, Asia and Pacific region, but in these figures you don't see the new discoveries made recently in the North Sea, because in the Sea of Barents, obviously we will a have to lay down well heads and pipings. So our growth is already beautiful and it should be even better.

Now if we look at the global fleet and the global offering. Well you have two types of fleets, the deepwater and the shallow water offshore fleets with two drastically different profiles. The fleet for deepwater offshore is a modern fleet, 10% only of the ships is older than 25 years old, it's growing 342 vessels are being built of which 770 ordered in 2011, and out of the vessels ordered in 2011 its mainly PSV ships to serve the dynamic positioning drilling rigs.

Now what is Bourbon's approach? Our approach is to stick to follow the growth and to accompany our clients wherever they operate in the world. So we ordered 20 PSV for deepwater and they will be delivered starting in 2013. I told you we had two different fleets, shallow water, 1600 ships in operation, but it's old, nearly 40% of the current fleet is more than five years old. So more than 600 ships are older than five years of age. It's not growing much, only 100 ships are under construction. That means a growth of five-six percent only. What's our approach here? Bourbon, with its orders, accounts for 40% of the global orders. Well we have 600 vessels to substitute. We've ordered some 40 new vessels and that's where the growth of tomorrow will lie, when we talked about a low contractualisation rate at 51%, because we are waiting for the prices to go back up. It's that very phenomena that will make it so that the prices will go up. That's why we have confidence in that...in the growth of that shallow water offshore segment.

Now what about the strategy for vessel construction? First of all, we need to anticipate with coming up with low-consumption DP2 vessels and second we need also to anticipate another to match the market cycles. We've invested in deepwater offshore for 20 mid-sized PSV vessels. As you can see on the right-hand side, 150 were ordered in 2011, mainly for the upper segment, there have more than 4000 ton dead-weight which will be serving the Gulf of Mexico, Brazil and the North Sea. We mainly focus on mid-sized BSVs which will be serving Western African, the Middle East, Asia and Australia.

As to shallow water offshore, we've invested mainly in the upper range segment, EHTSs, top end for 80 tons, but not in the 60 ton segment, and for the PSVs except for us there are virtually no orders placed and those will be serving the shallow water offshore. And Indonesia, also the deporter offshore installations.

Conclusions. Well, very positive trend on the market, increasing investment by exploration and production companies in 2012. Three months ago, we were talking about a 12% growth rate, now we start to reach 15% increase of potential cap-ex by our customers. When it comes to drilling rings, manufacturers are very optimistic, with many new generation drilling raised in the backlogs for 2012.

That's very positive because it means that there won't be any bottlenecks in the order books when you know that the drilling ring operators will meet the demand of all companies and keep up with the growth rate.

As to the global supply of vessels, reduction in vessel overcapacity, thanks to the deepwater offshore business growth, plus zero replacement persists that is mainly visible in the shallow water offshore business. Bourbon has solid operating records and a global presence, allowing us to meet the needs of our customer wherever they are. And we also enjoy good anticipation of our needs so we are ready for the upturn. And I'll give the floor to Christian Lefèvre who will be talking about strategy and outlooks. Thank you.

Christian Lefèvre - Chief Executive Officer

Thank you, Gaël. What was said about shallow water offshore business is very interesting because there are six times more 25 years old vessels which will be going out of the market than vessels under construction. And with more than 100 vessels in series, and another 35 under construction, Bourbon should certainly enjoy this upturn trend.

Now let's have a last look at 2011. It's really the positive market upturn year and growth for Bourbon. All the business indicators are on the upward trend. This is reflected in all our figures and percentages and the fourth quarter really was the quarter of the highest growth rate than the average observed throughout the year. So all figures up, particularly EBITDA over revenue, the margin rate, which has increased by 1.5 points in spite of a very unfavourable exchange rate in the first quarter with the dollar, and rather unfavourable throughout the year 2011. In order to support growth, we need to finance our business, this goes through the construction of high quality assets, that is vessels between 2007 and 2011 we have diversified the banking consortium, you see that in 2011, 64% of the funding came from French banks and 36% from foreign banks or non-French banks.

Today, businesses and companies mainly rely on the market to raise funds and we think that Bourbon, by 2015, will be funded by French banks, non-French banks, and also by the market. Our financial partners have supported us because they are confident in our business strategy but also because our industry is a buoyant one. Let's have a look at some data from the International Energy Agency as to the outlooks for energy demand. By type of energy, you see that a demand for energy will go up by 40% by 2035, and for oil and gas, that is the main core of our business; it should be 31%. Gas should increase faster than oil and in relative terms, and by summing up the two, we see that these two forces of fuel sources of energy are going to go up. Without forgetting renewable, particularly wind farms, wind turbines, for which growth is certainly predictable and we are certainly not going to ignore it. One of the highlight for this particular sector is that the barrel price has remained stable, probably thanks to greater discipline of producing country through OPEC, but this price stability is necessary for the future, as we shall see.

Production in existing fields has declined, even though we've supported production through a stimulation operation, this production has gone down. The production reserves has also decreased versus the global demand that is less than 5% of production reserves compared with the global demand. And the renewal of reserves is increasingly more difficult; drilling has to be deeper and deeper again. All this requires new technologies, cutting edge technologies and therefore more cap-ex. And oil industries have invested heavily, as you can see on this slide. The plant expenses on exploration and production have risen sharply and they are close to the rates which were observed for the period between 2005 and 2009 and that's plus 25% till 2014, and that's very promising for the future.

Now, therefore all these oil production activities are becoming more complex with deeper fields, we're talking about drilling in continental plates nowadays. This means that production will be more complex and management of operational risk will become the priority of oil companies. And these oil companies are improving their safety requirements on us. So operational excellence, no compromise on safety, risk control, integrity of operations. And we're also their partners in supporting this and trying to reach this operational excellence.

Since 2002, our strategy has been of growth and anticipation, and building up our fleet. We have today 14 series of vessels, series of more than 10 vessels, the average age of the fleet is 5.6 years and 60%, more than 60%, of supply and substitute vessels are diesel electric and classed to dynamic positioning. Now this series of vessels, you have the 54 Bourbon Liberty 200, the latest one will be delivered next week. 22 Bourbon Liberty, 100 all currently in operation, and a future Liberty 300. There will be 20 vessels and 15 Bourbon Liberty 150 for the large PSV for its importer offshore. We have 10P105 and PX105, 18 is average size, 3,200 dead weight ton. 10 AHDS of 120 tons and a series of Bourbon Explorer 500 that are under construction, which will be delivered in 2013. For the subsea vessels, we have single series of 10 Bourbon Evolution 800. The first one is in service and nine vessels are under construction, two of those will be delivered this year.

Crew boats five series with the flag ship series over surfer 1800 with a 125 identical vessels. Standardization servers operational excellence. So series of vessels and standardization of equipment and this is really an effort we're making in standardizing the propelling systems of our vessels. These are just as many levers to improve integrity of our vessels. Our operators our trained the simulators we have a two large simulators for the supply boats, one in Marseille and the other one in Singapore, and eight simulators for the crew boats. We may speed up seaman expertise who rotate on the same type of vessels therefore they are accustomed to the specific procedures...operational procedures for these vessels. There is a greater flexibility in personal management thanks to this policy and when it comes technical aspect standardization helps to speed up technical expertise to industrialize maintenance. Therefore our maintenance costs will certainly go down and it helps to pool the spare parts. So we are prepared for the Bourbon 2015 strategy. We are dedicated to serving our client's needs specially through risk management and optimization of costs. We have an industrial strategy for the composition of the fleet training of crews and maintaining our vessels, integrating the extension of...or the growth of the fleet is anticipating the expected growth in demand and we're are on time. And growth and profitability will allow for financing with a structure that be adjusted to the development and evolution of the financial world and market.

Thank you for your attention now we're going to move on to the Q and A session and the three of us are ready to answer any questions you might have.

Geoffroy STERN, CAI Cheuvreux

Good morning Geoffoy Stern from Cheuvreux. I would like to ask you a question about the direct cost that have increased by 30% for shallow water offshore and you've also mentioned the hedging at 31 for 2012. What was the actual hedging cost for 2011 and what is the positive impact expecting EBITDA for this year? And last question about the rate increase you're expecting for 2012, any guideline will these daily rates increase by 10 or 15 percent? And if my memory serves me right 50% of vessels will benefit from it because this other part has already been contracted. And it seems to me that you talked about a delivery of 23 shallow water vessels in 2012 and today you are mentioning 14 deliveries. Is this due to your decision or was there any delay in construction.

Christian Lefèvre - Chief Executive Officer

Laurent Renard will answer the first few questions and I'll answer the last two questions.

Laurent Renard - Executive Vice-President & Chief Financial Officer

So the first question if I remember it's about the cost of shallow water offshore costs. You've mentioned that the costs have increased much more than the fleet. We've talked about the Brazilian vessels that had some difficulties and we had all the cost with our operations mentioned, and we suffered for several months because of these vessels. Part of the reasons for this non-proportional cost increase versus the revenue is due to this Brazil event.

The second question about foreign exchange as I said on average for 2011 the rate was 1.39 euro to the dollar and our hedging was 250 million dollars, if my memory serves me right, so it gives you a rough idea to produce your modules. As to the daily rate, daily rates increase it is predictable for 2012. Fifty percent of shallow water offshore fleet is already the date of the contract. So the daily rate increase will apply to a significant share of our fleets now. Difficult to tell you when, in some areas of the world there are still too many vessels, rather recent vessels but not really competing with ours because they are on a 60 ton HTS conventional propelling system and our customers today for insurance coverage reasons for towing and jack-up and the drilling rigs systems they would rather have 80 ton vessels to ensure safer operations, and we delivered 80 tons with this dynamic positioning we will be the first one enjoying this daily rate increase. And as to the number of deliveries I do not have this figure of 23 vessels for shallow water to be delivered, but it’s true that 14 vessels were delivered in 2011 and there was a kind of...there was some delay at the end of the year for some vessels, for a few Liberty vessels which as I said will be delivered in this first quarter of 2012. There was indeed a postponement of deliveries of the shallow water offshore vessels. There was a shift from the last quarter of 2011 to the first quarter of 2012.

Guillaume DELABY, STE GENERALE

I would like to talk about daily rates again. I did listen carefully to Gael and it seems to me that I understood that for deporter offshore the purpose was to increase the prices as well as for subsea and for crew boats, and shallow water offshore the main objective was to increase the utilisation rates. Did I understand right?

Second question: Some of us were a bit disappointed when you published the fourth quarter daily rates figures. So the usual question is here, do you see any sign of improvement for the first quarter of 2012 and then a question about your debt for 2012. The renegotiation of this debt and the removal of the covenant will that translate into an extra cost of financial charges and what will be the amount approximately?

Christian Lefèvre - Chief Executive Officer

So each one of us will answer to each question.

Gaël Bodénès - Executive Vice-President & Chief Operating Officer

For the first question the answer is yes you did understand my presentation for shallow water, the utilisation rate is 87.5% on average, so we’re close to the 90%, 90% plus. So I think that very quickly the utilisation rates will go up and the daily rates will follow suit. But then indeed you understood very clearly what I said regarding the decrease of rates in the fourth quarter.

Christian Lefèvre - Chief Executive Officer

There was a slight decrease, there was a peak in the third quarter, mainly explained by the very good traffic in the North Sea in September we hit unprecedented records. Now what is going to happen for this very first quarter? Well when it comes to deporter offshore all the contracts are displaying rates that are on the rise. But there is also a seasonal effect for the North Sea and it does not really impact our fleet, we only have two surfer vessels in this season in the North Sea, but you know that the North Sea should be an area where we would be recovering in April. So a positive trend of the market, but there is always a seasonal impact for deporter offshore in the North Sea. For the shallow water offshore there was the period for Christmas and then China’s New Year celebrations which means that there is a kind of downtime, less maintenance, less construction and in Asia there is a monsoon, also the South East of Asia, November to the end of February. And this weather even does have some consequences for our business in shallow water offshore, but we are confident as to the future because the vast majority of our vessels have been contracted and that’s for the end of March, and the rates will slightly increase in the first quarter.

Laurent Renard - Executive Vice-President & Chief Financial Officer

Now the removal of covenants and the price we had to pay for it. Very good question. Well my answer might be a bit long because we have go through historical facts again. Well when it comes to financial charges the cost was zero and will be zero. The compliment of information to that is that we had to pay nevertheless for this. It involved mortgages on vessels for which we had...which were already reserved for the banks, but we didn't go through specific contracts, but the assets were already mortgaged. And the banks have asked us to sign an agreement with mortgage, without increasing the loan-to-value to preserve all these assets. Now my answer will be a bit longer because I would like you to believe me and I'll try to explain why all this happened. Of course then you will need to ask the banks.

Let's go through history to start with we are talking net operating debt on EBITDA. This ratio was introduced in 2005 and in 2005 we didn't have the Horizon 2012 strategic planned and we didn't have the Bourbon 2015 strategic plan so we a series of business plans and objectives etc. This covenant in 2005 was aimed at formalising with EBITDA mortgage agreements, but then there was the economic crisis in 2008 and 2009 and the French banks still trusted us. In March 2009 we signed a new deal with them, but then there was a ratio ... there was a ratio, we should maybe have revised it at the time. Bourbon 2015 strategic plan wasn't there, but 2012 strategic plan was already there. But we're a bit lazy we said they are confident we will remain this and change, but the consequences is that if things go wrong there will be a negative impact on Bourbon, but then we introduced Bourbon 2015. We didn't negotiate anything and then in 2011 we said maybe the time has come to renegotiate all this. That's for the general history.

What I'm telling you here is that the banks have noticed that in a sluggish economy etc., the energy sector is not the worst of all, that growth is back and that it's important to support this growth. The strategy of Bourbon in this industrial sector is unique and they believe in it, they are confident in our business, and we've done that for the last seven years, and we've haven't done so badly so far. So the banks have understand and when it comes to a EBITDA the external circumstances, the market was rather sluggish, the upturn is not here today, but bankers understand business strategy, they what cap-ex is for future cash flow generations. So the covenants have been removed without any financial penalties, but they've asked us to actually implement the mortgages. That's all.

Jean-Luc ROMAIN - CM-CIC Securities

Good morning. A question about the subsea services division and its performance with EBITDA margin slightly down despite higher rates and pretty high utilisation rates. How do you account for the increase in direct costs in that division? I don't think that can be due or attributable to the Brazil impact.

Christian Lefèvre - Chief Executive Officer

Well of course as you know in that subsea business we recorded a slight decrease in our utilisation rates. We used to stand very high at more than 96% during the first half and we went down slightly. This is due to dry dock activities, technical stoppage, and also we commissioned the first Bourbon Evolution 800. We commissioned that new ship which did generate a few additional costs for the commissioning of this ship and that accounts for a slight deterioration in the margin we got from that business.

Julien LAURENT - NATIXIS

I have a question about the short term debt increasing at more than 600 million euros. Do you already have immediately available credit lines or your potential market operation between now and 2014? Is it about to be ripe? Then a few words about semantics and your forecasting. The market does expect higher prices. Do you also expect high prices? I don't know why you said the market expects that, in not you and also can you give us a bracket in terms of future depreciation figures in 2012?

Christian Lefèvre - Chief Executive Officer

Laurent the first part of your question and we'll answer about the increase in prices.

Laurent Renard - Executive Vice-President & Chief Financial Officer

As to the first question I'm not sure to answer you, you cannot expect me to tell you we're going to launch a market operation tomorrow morning, it wouldn't be very reasonable. Now but I would like to respond to your question about the short term. Well I'm sorry about all those cooking details but in the short term you have the short term proper and then you have the long term loans according to the IFRS presentation, and in 2012 we'll have to make big reimbursements. The average maturity for a loan and medium term, that is six years, but we are going to have to reimburse more exceptionally in 2012, because we had contracted bilateral loans and fiscal SNC that are reaching maturity. It's a bullet repayment because of that some cash will have to go out and we have 600 million short term debt but we along with that we already have quite a bit of cash.

Now in terms of market operations that you were alluding to. Just like the rest of the world well we're keen on diversifying our sources of funding. We did that previously by diversifying our bank loans geographically and we'll probably do the same when it comes to the financial markets. When will we make that move? Well we'll let you know in due time.

Christian Lefèvre - Chief Executive Officer

Next. As to the increase in prices. Yes I did see the market was expecting higher prices, I didn't say Bourbon was and you asked about that. Well we scrutinise everything by the brokers or land lists and markets about the offshore vessel markets and all agreed to forecast higher prices for 2012. Also we read what our competitors write or say and as you know all of our competitors are in a very positive mood and they do believe that prices will go up. So, so do we. Reasonably the only issue is the time-line when will it happen and also it will happen by region. It's a market business which is broken down into different, quite different regions. So it's difficult to really give an accurate forecast.

Laurent Renard - Executive Vice-President & Chief Financial Officer

I believe you also asked about the provisions for depreciation. I'm sorry it might be a bit sordid but I'm sure you asked a question about your models, so I'll try to explain. You have two major elements, you have the hull and the dry dock. For the hull of the vessels I'm sure your models reflect that for the hull of the ship you have a full effects. It's not the situation at December 31st, but it's the deliveries of the previous year, for the current year it's full rate and all that, you know that little difference. You ask whether it will continue to deteriorate well you have that lagging of fact in terms of when we commission the ships and that can be felt fully only after twelve months. And when it comes to the dry docks well, IFRS accounting rules, when a ship is delivered to us we know that part of the price of the vessel has to be mobilised because of the dry dock. Then you have the class visits and so it goes to the fixed assets for depreciation, it's quick like two and a half years. We've been investing heavily for quite a while so you can only expect that the trend in the coming semesters will be that in our provisions for depreciation we'll have to allocate a bigger and bigger share for dry docking definitely.

Jean-Noel VIEILLE, HIXANCE Asset Management

Another question. I'd like to go back to Julien's question about the debt and you are turning to the financial markets. I think there is a subliminal rhetoric there. It's like you are going to launch a new investment plan before the end of 2015 because logically as we understood the previous plan given your cash flow situation. There was no reason except for beyond 2012 with more debt, but there is no reason to increase the debt, on the contrary we should see an improvement in your financial structure. So is there a change there? Or let's say you are going to engage quicker than we expected in a new financing plan, cap-ex plan with the risk it entailed because you know that their leverage effect was annihilated so you kind of destroyed some value there. The market was pretty efficient like your logo be efficient you know the market self-adjusted but don't you think there is a risk there?

And my second question. Turning to the financial market when it comes to debts, well it becomes more and more expensive whether it's for on equity or bonds, it's getting more expensive so why would you want to make that move today?

Christian Lefèvre - Chief Executive Officer

Well let me start by answering first about an alleged future investment plan, cap-ex plan. Well this is not on the agenda, we are just committed to deliver what we committed to deliver. So the 2015 plan on the short and medium term will be the same and we're not contemplating a new investment plan and I'll turn low hull about the debt and what it costs to turn to the market.

Laurent Renard - Executive Vice-President & Chief Financial Officer

Yes okay we've got our current investment plan no more, no less, but if a few things have changed when it comes to cap-ex and investment. We already told you that the circumstances of the market was such that the generation of EBITDA was lower than what we hoped. So this mass of EBITDA we didn't generate, we don't have it in our cash and so there is a gap quite clearly. You're totally right, we explained to you that we would start investing a lot and then we would rest on our laurels and reap the cash flow of course. It's not exactly that and we started out the first two years with a lag in or generation of EBITDA. So there curve is lagging behind, but the profile of the curve is still there. You're right that level will go down but our debts will still be increasing for eighteen more months before going down. We keep the same profile for our curve except it's lagging behind a bit more.

Now you ask why do we want to turn to the financial markets. Not because of Bourbon, but because of the financial market proper. We're not talking about the oil market proper, but the financial market and the financial market costs oh balance sheet minus 20%, this minus that. And you saw the Americans do seventy financial markets, thirty percent operations, the Europeans should do the same. Well we listened to all that and we're reflecting on all that, we might have to go for that line. For eighteen more months we'll have requirements, that's not new, except that there is that lag in our EBITDA generation. You're going to say it's expensive, yes that's why we didn't go for it earlier, but seriously diversification is a serious matter. And we will go for it, we're already engaged in diversification geographically and we have to do that with the debt market independently from the costs.

Now as to the timing, we'll do it when we feel it's the right time and provided the market is open and under conditions that wouldn't harm global too badly. One last question maybe?

Jean-François GRANJON, ODDO MidCaps

I have three questions. Can we come back to provisions for depreciation, you mentioned three factors depreciation charges higher, more dry dock stops and also the lesser increase in EBITDA and the difference between the two semesters. Could you shed some light on that and the drop in the EBITDA in the second semester. Then for crew boats utilisation rates is slightly below 81% so we're slightly below average. How do you see the future for the utilisation rates of crew boats? Will the increase be mitigated, slower than in the other businesses of the group? And also you said that the daily rates for the crew boats might not increase as much as you would like, and not as much as in the other businesses of Bourbon.

Laurent Renard - Executive Vice-President & Chief Financial Officer

As to your first question you're right between EBITDA and EBIT you mainly have the provisions and the make up for depreciation. You have the whole component which is pretty homogenous from one semester to the next, but we had much more dry dock activity in the second half of the year, as opposed to the first half, much more dry dock activities. So that's the issue of the difference between the two halves of the year. Third provisions we do have provisions in the second semester particularly for our operations in Brazil and Angola, and we made bigger provisions than we had first intended.

Christian Lefèvre - Chief Executive Officer

Now as to the crew boats and the daily rates. The specificity of that business is that those are small aluminium ships with fast engines and the availability rates you noticed are lower than on the bigger vessels, supply and subsea vessels meaning that to operate ten ships you need nearly one set aside as a reserve, as a back-up, if you want twenty four hour operating availability. So utilisation rates for that reason tend to be lower in that crew boat segment. So far our strategy was to supply the market with what it needed and we've been regularly delivering a certain number of vessels. The market was just turning up so the utilisation rates were lower than in the other businesses, but now we've slowed down on commissioning of new such vessels, such new vessels and we're working at pushing up the overall utilisation rates in that crew boat segment.

Now regarding prices you have a major mix effect. The smallest surfer crew boats are rented for less than $3,000 a day, while the largest one can be rented to up to $10,000 a day. So when you get more small ships the mix effect tends to have lower average prices, average rates, whereas the unit rates for most of the vessels are actually on the rise.

One last question maybe?

Well if there are no more questions. Thank you so much for being here again and we'll see you again for the publication of our resale for the first quarter. On May 10th, 2012 we will have the pleasure of seeing you again. Goodbye and thank you.