

GLOBAL INDUSTRIES LTD

Form 10-Q

August 06, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

**Commission File Number: 0-21086
Global Industries, Ltd.**

(Exact name of registrant as specified in its charter)

Louisiana
(State or other jurisdiction of
incorporation or organization)

72-1212563
(I.R.S. Employer Identification No.)

**8000 Global Drive
Carlyss, Louisiana**
(Address of principal executive offices)

70665
(Zip Code)

(337) 583-5000
(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changes since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares of the Registrant's Common Stock outstanding as of August 1, 2008, was 115,115,156.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Global Industries, Ltd.

We have reviewed the accompanying condensed consolidated balance sheet of Global Industries, Ltd. and subsidiaries (the Company) as of June 30, 2008, and the related condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2008 and 2007, and cash flows for the six-month periods June 30, 2008 and 2007. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Global Industries, Ltd. and subsidiaries as of December 31, 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 22, 2008, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding the adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, on January 1, 2006. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2007 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

August 4, 2008

Houston, Texas

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GLOBAL INDUSTRIES, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

| | June 30 2008 | December 31 2007 |
|---|-------------------------|-----------------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 488,363 | \$ 723,450 |
| Restricted cash | 1,133 | 1,121 |
| Marketable securities | 5,200 | 99,935 |
| Accounts receivable net of allowance of \$6,267 for 2008 and \$1,278 for 2007 | 258,666 | 167,469 |
| Unbilled work on uncompleted contracts | 130,874 | 106,716 |
| Contract costs incurred not yet recognized | 3,667 | 10,821 |
| Deferred income taxes | 18,702 | 3,827 |
| Assets held for sale | 775 | 1,002 |
| Prepaid expenses and other | 41,062 | 27,875 |
| Total current assets | 948,442 | 1,142,216 |
| Property and Equipment, net | 513,904 | 349,549 |
| Other Assets | | |
| Marketable securities | 41,968 | |
| Accounts receivable long-term | 19,475 | 9,315 |
| Deferred charges, net | 78,401 | 43,045 |
| Goodwill | 37,388 | 37,388 |
| Other | 8,836 | 8,285 |
| Total other assets | 186,068 | 98,033 |
| Total | \$ 1,648,414 | \$ 1,589,798 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current Liabilities | | |
| Current maturities of long-term debt | \$ 3,960 | \$ 3,960 |
| Accounts payable | 225,059 | 169,034 |
| Employee-related liabilities | 28,092 | 28,366 |
| Income taxes payable | 32,730 | 39,683 |
| Accrued interest payable | 5,670 | 5,827 |
| Advance billings on uncompleted contracts | 15,096 | 36,691 |
| Other accrued liabilities | 16,657 | 15,638 |
| Total current liabilities | 327,264 | 299,199 |
| Long-Term Debt | 388,360 | 390,340 |

| | | |
|------------------------------|--------|--------|
| Deferred Income Taxes | 35,989 | 35,617 |
| Other Liabilities | 12,762 | 11,050 |

Commitments and Contingencies**Shareholders' Equity**

| | | |
|---|--------------|--------------|
| Common stock, \$0.01 par value, authorized 150,000 shares and issued 119,258 and 118,001 shares, respectively | 1,193 | 1,180 |
| Additional paid-in capital | 437,630 | 418,366 |
| Retained earnings | 528,556 | 515,206 |
| Treasury stock at cost, 3,021 in 2008 and 2,904 in 2007 | (79,451) | (77,257) |
| Accumulated other comprehensive loss | (3,889) | (3,903) |
| Total shareholders' equity | 884,039 | 853,592 |
| Total | \$ 1,648,414 | \$ 1,589,798 |

See Notes to Condensed Consolidated Financial Statements.

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GLOBAL INDUSTRIES, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|------------|-------------------------|------------|
| | June 30 | | June 30 | |
| | 2008 | 2007 | 2008 | 2007 |
| Revenues | \$ 300,543 | \$ 248,940 | \$ 602,008 | \$ 525,949 |
| Cost of operations | 292,707 | 174,807 | 539,842 | 358,342 |
| Gross profit | 7,836 | 74,133 | 62,166 | 167,607 |
| Loss (gain) on asset disposals | 151 | 12 | (2,012) | (1,308) |
| Selling, general and administrative expenses | 24,961 | 19,884 | 48,000 | 38,028 |
| Operating income (loss) | (17,276) | 54,237 | 16,178 | 130,887 |
| Interest income | 3,470 | 5,766 | 10,233 | 10,810 |
| Interest expense | (1,708) | (2,032) | (5,826) | (4,773) |
| Other income (expense), net | (2,489) | 765 | (1,632) | 606 |
| Income (loss) before taxes | (18,003) | 58,736 | 18,953 | 137,530 |
| Income taxes (benefits) | (4,523) | 17,607 | 5,603 | 41,945 |
| Net income (loss) | \$ (13,480) | \$ 41,129 | \$ 13,350 | \$ 95,585 |
| Earnings (Loss) Per Common Share | | | | |
| Basic | \$ (0.12) | \$ 0.35 | \$ 0.12 | \$ 0.82 |
| Diluted | \$ (0.12) | \$ 0.35 | \$ 0.12 | \$ 0.81 |
| Weighted Average Common Shares Outstanding | | | | |
| Basic | 114,260 | 117,305 | 113,954 | 116,946 |
| Diluted | 114,260 | 119,168 | 115,716 | 118,675 |

See Notes to Condensed Consolidated Financial Statements.

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GLOBAL INDUSTRIES, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Six Months Ended | |
|---|-------------------------|-------------|
| | June 30 | |
| | 2008 | 2007 |
| Cash Flows From Operating Activities | | |
| Net income | \$ 13,350 | \$ 95,585 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and non-stock-based amortization | 22,203 | 23,592 |
| Stock-based compensation expense | 6,648 | 9,167 |
| Provision for doubtful accounts | 5,494 | 415 |
| Gain on sale or disposal of property and equipment | (2,012) | (1,308) |
| Derivative (gain) loss | 422 | (325) |
| Deferred income taxes | (14,813) | (2,224) |
| Excess tax benefits from stock-based compensation | (4,019) | (2,541) |
| Changes in operating assets and liabilities | | |
| Receivables, unbilled work, and contract costs | (127,317) | 70,452 |
| Prepaid expenses and other | (12,504) | 752 |
| Accounts payable, employee-related liabilities and other accrued liabilities | 30,240 | 2,480 |
| Deferred dry dock costs incurred | (42,070) | (9,362) |
| Net cash provided by (used in) operating activities | (124,378) | 186,683 |
| Cash Flows From Investing Activities | | |
| Proceeds from sale of assets | 6,250 | 3,651 |
| Additions to property and equipment | (177,422) | (15,541) |
| Sale of marketable securities | 101,404 | 93,820 |
| Purchase of marketable securities | (49,296) | (169,657) |
| Additions to restricted cash | (11) | (26) |
| Net cash (used in) investing activities | (119,075) | (87,753) |
| Cash Flows From Financing Activities | | |
| Repayment of long-term debt | (1,980) | (1,980) |
| Proceeds from sale of common stock, net | 8,609 | 13,696 |
| Repurchase of common stock | (2,194) | (168) |
| Additions to deferred charges | (88) | (4) |
| Excess tax benefits from stock-based compensation | 4,019 | 2,541 |
| Net cash provided by financing activities | 8,366 | 14,085 |
| Cash and cash equivalents | | |
| Increase (decrease) | (235,087) | 113,015 |

| | | |
|---------------------|------------|------------|
| Beginning of period | 723,450 | 352,178 |
| End of period | \$ 488,363 | \$ 465,193 |

Supplemental Disclosures

| | | |
|-------------------|-----------|-----------|
| Interest Paid | \$ 6,229 | \$ 2,971 |
| Income Taxes Paid | \$ 28,117 | \$ 49,028 |

See Notes to Condensed Consolidated Financial Statements.

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Notes to Condensed Consolidated Financial Statements (Unaudited)

1. General

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Global Industries, Ltd. and its subsidiaries (Company, we, us, or our).

In the opinion of management of the Company, all adjustments (such adjustments consisting only of a normal and recurring nature) necessary for a fair presentation of the operating results for the interim periods presented have been included in the unaudited Condensed Consolidated Financial Statements. Operating results for the period ended June 30, 2008, are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. These financial statements should be read in conjunction with our audited Consolidated Financial Statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Reclassifications

During the second quarter of 2008, we began separately disclosing interest income on the accompanying condensed consolidated statement of operations. This reclassification had no impact on non-operating income for these periods.

Recent Accounting Pronouncements

SFAS 157. In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value and enhances disclosures about instruments carried at fair value, but does not change existing guidance as to whether or not an instrument is carried at fair value. In February 2008, the FASB issued FASB Staff Positions (FSP) SFAS 157-2, *Effective Date for FASB Statement 157*. This FSP permits the delayed application of SFAS 157 for all non-recurring fair value measurements of non-financial assets and non-financial liabilities until fiscal years beginning after November 15, 2008. The Company adopted SFAS 157, as amended, on a prospective basis beginning January 1, 2008, for its financial assets and liabilities and will adopt this statement for its non-financial assets and liabilities, which consists of goodwill and assets held for sale, on January 1, 2009. See further discussion about the implementation of SFAS 157 in Note 5.

SFAS 161. In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 requires specific disclosures regarding the location and amounts of derivative instruments in the Company's financial statements, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect the Company's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued, and for fiscal years and interim periods, beginning after November 15, 2008. We will adopt the new disclosure requirements of SFAS 161 in the first quarter 2009.

FSP FAS 142-3. In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 requires companies estimating the useful life of a recognized intangible asset to consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, to consider assumptions that market participants would use about renewal or extension as adjusted for the entity-specific factors in SFAS No. 142, *Goodwill*

and Other Intangible Assets. FSP FAS 142-3 will be effective for the Company beginning January 1, 2009. Management is currently assessing the effect of this pronouncement on the Company's consolidated financial statements.

FSP APB 14-1. In May 2008, the FASB issued FSP APB No. 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, (FSP APB 14-1). The FSP will require cash settled convertible debt to be separated into debt and equity components at issuance and a value to be assigned to each. The value assigned to the debt component will be the estimated fair value of similar bonds without the conversion feature. The difference between the bond cash proceeds and this estimated fair value will be recorded as a debt discount and amortized to interest expense over the life of the bond. Although FSP APB 14-1 will have no impact on the Company's actual past or future cash flows, it will require the Company to record a material increase in non-cash interest expense as the debt discount is amortized. FSP APB 14-1 will become effective for the Company beginning

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January 1, 2009 and applied retrospectively to all periods presented. The Company is continuing to evaluate the impact of adopting FSP APB 14-1 on the consolidated financial statements.

FSP EITF 03-6-1. In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, (FSP EITF 03-6-1). This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in computing earnings per share under the two-class method described in SFAS No. 128, *Earnings Per Share*. This FSP shall be applied retrospectively for financial statements issued for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact, if any, of adopting FSP EITF 03-6-1. End of Note 1.

2. *Restricted Cash*

Restricted cash represents cash deposits for the purpose of providing a banking institution cash collateral for ongoing short-term foreign exchange contracts. There is no contractual obligation or agreement to have the cash restricted for a period longer than one to five days; therefore, restricted cash is classified as a current asset on the accompanying condensed consolidated balance sheets.

3. *Marketable Securities*

As of June 30, 2008, the Company held \$48.1 million at par value in auction rate securities which are variable rate bonds tied to short-term interest rates with maturities up to 31 years. Auction rate securities have interest rate resets through a Dutch auction at predetermined short intervals. Interest rates generally reset every 7-35 days. The coupon interest rate for these securities ranged from 2.9% to 4.3%, on a tax exempt basis, for the quarter ended June 30, 2008.

The Company's investments in auction rate securities were issued by municipalities and state education agencies. The auction rate securities issued by state education agencies represent pools of student loans for which repayment is substantially guaranteed by the U.S. government under the Federal Family Education Loan Program (FFELP). All of the Company's investments in auction rate securities have at least a double A rating. As of June 30, 2008, the par value of auction rate securities issued by state education agencies was \$30.0 million and the par value of auction rate securities issued by municipalities was \$18.1 million.

In July 2008, \$5.2 million auction rate securities issued by municipalities were redeemed at par value. These securities are classified as current assets on the accompanying condensed consolidated balance sheet as of June 30, 2008.

Recent auctions for the Company's auction rate securities have failed. An auction failure, which is not a default in the underlying debt instrument, occurs when there are more sellers than buyers at a scheduled interest rate auction date. This results in a lack of liquidity for these securities, even though debt service continued to occur. When auctions fail, the interest rate is adjusted according to the provisions of the related security agreement, which generally results in an interest rate higher than the interest rate the issuer pays in connection with successful auctions. During the six months ended June 30, 2008, the Company continued to earn and receive scheduled interest on these securities.

Based on a lack of current market liquidity and the Company's ability and intent to continue holding its auction rate securities until they can be sold or redeemed at par value or mature, the Company classifies these securities as non-current.

The Company's investments in auction rate securities are classified as available for sale and are carried at fair value with any unrealized gains and losses recorded in other comprehensive income. The Company concluded the fair value of the auction rate securities classified as non-current at June 30, 2008 was \$42.0 million, a decline of \$0.9 million from par value. The decline in fair value has been assessed by the Company as temporary and has been recorded as an unrealized loss in accumulated other comprehensive income, net of tax of \$0.2 million. The Company will continue to monitor the market for auction rate securities and consider its impact, if any, on fair value of the remaining investment through disposition.

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The Company uses forward contracts to manage its exposure in foreign currency rates. The Company's outstanding forward foreign currency contracts are used to hedge cash flows for forecasted purchase commitments denominated in Euros and Norwegian Kroners. Changes in fair value of the Euro forward contracts are recorded in earnings because the hedging relationship was deemed to be ineffective. The Norwegian Kroner forward contracts are accounted for as cash flow hedges with unrealized gains and losses recorded in other comprehensive income. As of June 30, 2008 and December 31, 2007, there was \$5.7 million and \$5.1 million of unrealized gains, net of tax, in accumulated other comprehensive income. As of June 30, 2008, approximately \$3.2 million of the unrealized gains are expected to be realized in earnings during the next twelve months.

5. Fair Value of Financial Instruments

Under SFAS 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. exit price) in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy for inputs is categorized into three levels based on the reliability of inputs as follows:

Level 1 Observable inputs such as quoted prices in active markets.

Level 2 Inputs (other than quoted prices in active markets) that are either directly or indirectly observable.

Level 3 Unobservable inputs which requires management's best estimate of what market participants would use in pricing the asset or liability.

Assets measured at fair value on a recurring basis are categorized in the table below based upon the lowest level of significant input to the valuations.

Fair Value Measurements at June 30, 2008*(In thousands)*

| Description | Total | Level 1 | Level 2 | Level 3 |
|-----------------------|-------------------|-------------------|------------------|------------------|
| Cash equivalents | \$ 424,492 | \$ 424,492 | \$ | \$ |
| Marketable securities | 47,168 | | 5,200 | 41,968 |
| Derivative contracts | 9,036 | | 9,036 | |
| Total | \$ 480,696 | \$ 424,492 | \$ 14,236 | \$ 41,968 |

Financial instruments classified as Level 3 in the fair value hierarchy represent auction rate securities in which management has used at least one significant unobservable input in the valuation model. The following tables present a reconciliation of activity for such securities:

Changes in Level 3 financial instruments

| | Three Months Ended June 30 | Six Months Ended June 30 |
|---------------------------------------|---|---|
| | <i>(In thousands)</i> | |
| Beginning Balance | \$ 34,805 | \$ 48,800 |
| Purchases, issuances, and settlements | | (13,050) |
| Unrealized gain (loss) | 38 | (907) |
| Transfers in and/or out of Level 3 | 7,125 | 7,125 |

| | | |
|--------------------------|-----------|-----------|
| Balance at June 30, 2008 | \$ 41,968 | \$ 41,968 |
|--------------------------|-----------|-----------|

6. *Receivables*

Receivables are presented in the following balance sheet accounts: (1) accounts receivable, (2) accounts receivable long-term, (3) unbilled work on uncompleted contracts, and (4) contract costs incurred not yet recognized. The

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balance of accounts receivable long-term at June 30, 2008 and December 31, 2007 represents amounts related to retainage which were not expected to be collected within the next twelve months. The balance of unbilled work on uncompleted contracts includes (a) amounts receivable from customers for work that has not yet been billed pursuant to contractually specified milestone billing requirements and (b) revenue accruals.

The claims and unapproved change orders included in our receivables amounted to \$37.9 million at June 30, 2008 and \$46.0 million at December 31, 2007.

Costs and Estimated Earnings on Uncompleted Contracts

| | June 30 2008 | December 31 2007 |
|---|-------------------------|-----------------------------|
| | <i>(In thousands)</i> | |
| Costs incurred on uncompleted contracts | \$ 712,785 | \$ 838,856 |
| Estimated earnings | 127,149 | 322,089 |
| Costs and estimated earnings on uncompleted contracts | 839,934 | 1,160,945 |
| Less: Billings to date | (733,675) | (1,091,255) |
| | 106,259 | 69,690 |
| Plus: Accrued revenue | 21,390 | 8,371 |
| Less: Advance billings on uncompleted contracts | (11,871) | (8,036) |
| | \$ 115,778 | \$ 70,025 |
| Included in accompanying balance sheets under the following captions: | | |
| Unbilled work on uncompleted contracts | \$ 130,874 | \$ 106,716 |
| Advance billings on uncompleted contracts | (15,096) | (36,691) |
| | \$ 115,778 | \$ 70,025 |

7. Property and Equipment

The components of property and equipment, at cost, and the related accumulated depreciation are as follows:

| | June 30 2008 | December 31 2007 |
|--------------------------------|-------------------------|-----------------------------|
| | <i>(In thousands)</i> | |
| Land | \$ 6,322 | \$ 6,322 |
| Facilities and equipment | 159,169 | 155,676 |
| Marine vessels | 529,816 | 428,021 |
| Construction in progress | 141,998 | 68,757 |
| Total property and equipment | 837,305 | 658,776 |
| Less: Accumulated depreciation | (323,401) | (309,227) |
| Property and equipment, net | \$ 513,904 | \$ 349,549 |

Expenditures for property and equipment that substantially increase the useful lives of existing assets are capitalized at cost and depreciated. Routine expenditures for repairs and maintenance are expensed as incurred. Except for major

construction vessels that are depreciated on the units-of-production (UOP) method over estimated vessel operating days, depreciation is provided utilizing the straight-line method over the estimated useful lives of the assets. The UOP method is based on vessel utilization days and more closely correlates depreciation expense to vessel revenue. In addition, the UOP method provides for a minimum depreciation floor in periods with nominal vessel use. In general, if we applied only a straight-line depreciation method instead of the UOP method, less depreciation expense would be recorded in periods of high utilization and revenues, and more depreciation expense would be recorded in periods of low vessel utilization and revenues.

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The Company utilizes the deferral method to capitalize vessel dry docking costs and to amortize the costs to the next dry docking. Such capitalized costs include regulatory required steel replacement, direct costs for vessel mobilization and demobilization, rental of dry docking facilities and services, third party inspection fees, and inspection of machinery, safety and navigation equipment. Crew costs may also be capitalized when employees perform all or a part of the required dry docking. Any repair and maintenance costs incurred during the dry docking period are expensed as incurred.

9. Long-Term Debt

The components of long-term debt are as follows:

| | June 30 2008 | December 31 2007 |
|---|-------------------------|---------------------------------|
| | <i>(In thousands)</i> | |
| Senior Convertible Debentures due 2027, 2.75% | \$ 325,000 | \$ 325,000 |
| Title XI Bonds due 2025, 7.71% | 67,320 | 69,300 |
| Revolving Credit Facility | | |
| Total long-term debt | 392,320 | 394,300 |
| Less: Current maturities | (3,960) | (3,960) |
| Long-term debt less current maturities | \$ 388,360 | \$ 390,340 |

At June 30, 2008, the available borrowing under our Revolving Credit Facility was \$32.0 million. The Company also has a \$16.0 million short-term credit facility at one of its foreign locations. At June 30, 2008, the available borrowing under this facility was \$2.4 million.

10. Commitments and Contingencies**Commitments**

Construction and Purchases in Progress The estimated cost to complete capital expenditure projects in progress at June 30, 2008 was approximately \$460.2 million, which primarily represents expenditures for construction of new generation derrick/pipelay vessels, the Global 1200 and Global 1201. This amount includes an aggregate commitment of 158.8 million Singapore Dollars (or \$116.6 million US Dollars as of June 30, 2008) and 25.7 million Euros (or \$40.6 million US Dollars as of June 30, 2008).

Off Balance Sheet Arrangements In the normal course of our business activities, and pursuant to agreements to perform construction services, we provide guarantees, bonds, and letters of credit to customers, vendors, and other parties. At June 30, 2008, the aggregate amount of these outstanding guarantees and bonds was \$91.2 million, which are scheduled to expire between July 2008 and July 2009, and the aggregate amount of outstanding letters of credit was \$123.8 million, which are due to expire between July 2008 and October 2009.

Contingencies

During the fourth quarter of 2007, we received a payroll tax assessment for the years 2005 through 2007 from the Nigerian tax authorities in the amount of \$23.2 million. The assessment alleges that certain expatriate employees, working on projects in Nigeria, were subject to personal income taxes, which were not paid to the government. We filed a formal objection to the assessment on November 12, 2007. We do not believe these employees are subject to the personal income tax assessed; however, we believe this matter will ultimately have to be resolved

by litigation. We do not expect the ultimate resolution to have a material adverse effect on the Company.

On February 21, 2007, we received a \$29.7 million tax assessment from Algeria for income tax, business tax and value added tax for the years 2005 and 2004. We are indemnified by our client for the value added tax portion, which is approximately \$10.4 million, of the assessment. We accrued income taxes for the Algerian tax liability in conjunction with the project in 2005 and 2004. We have engaged an outside tax counsel to assist us in resolving the tax assessment. During the fourth quarter of 2007, we reached a final resolution with the Algerian tax authority for the income and the business tax portions of the assessment for approximately \$2.5 million, including penalties. This amount was paid during the first quarter of 2008.

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In June 2007, the Company announced that it was conducting an internal investigation of its West Africa operations, focusing on the legality, under the U.S. Foreign Corrupt Practices Act (FCPA) and local laws, of one of its subsidiary s reimbursement of certain expenses incurred by a customs agent in connection with shipments of materials and the temporary importation of vessels into West African waters. The Audit Committee has engaged Andrews and Kurth LLP to lead the investigation. Andrews and Kurth LLP is an international firm with significant experience in investigating and advising on FCPA matters. The investigation is ongoing.

At this stage of the internal investigation, the Company is unable to predict what conclusions, if any, the Securities and Exchange Commission (SEC) will reach, whether the Department of Justice will open a separate investigation to investigate this matter, or what potential remedies these agencies may seek. If the SEC or Department of Justice determines that violations of the FCPA have occurred, they could seek civil and criminal sanctions, including monetary penalties, against us and/or certain of our employees, as well as changes to our business practices and compliance programs, any of which could have a material adverse effect on our business and financial condition. In addition, such actions, whether actual or alleged, could damage our reputation and ability to do business. Further detecting, investigating, and resolving these matters is expensive and consumes significant time and attention of our senior management.

We continue to use alternative procedures adopted after the commencement of the investigation to obtain Nigerian temporary import permits. These procedures are designed to ensure FCPA compliance. Although we are still working and pursuing additional work in West Africa, we have declined or terminated available projects and delayed the start of certain projects in Nigeria in order to ensure FCPA compliance and appropriate security for our personnel and assets. The possibility exists that we may have to curtail or cease our operations in Nigeria if appropriate long-term solutions cannot be identified and implemented. We have worldwide customer relationships and a mobile fleet, and we are prepared to redeploy vessels to other areas as necessary to ensure the vessels are utilized to the fullest extent possible.

Notwithstanding that the internal investigation is ongoing, we have concluded that certain changes to our compliance program would provide us with greater assurance that we are in compliance with the FCPA and its record-keeping requirements. We have a long-time published policy requiring compliance with the FCPA and broadly prohibiting any improper payments by us to foreign or domestic officials as well as training programs for our employees. Since the commencement of the internal investigation, we have adopted, and may adopt additional, measures intended to enhance our compliance procedures and ability to audit and confirm our compliance. Additional measures also may be required once the investigation concludes.

The Company has concluded that it is premature for it to determine whether it needs to make any financial reserve for any potential liabilities that may result from these activities given the status of the internal investigation.

We are a party to legal proceedings and potential claims arising in the ordinary course of business. We do not believe that these matters arising in the ordinary course of business will have a material impact on our financial statements in future periods.

11. *Comprehensive Income (Loss)*

Other Comprehensive Income (Loss) The differences between net income (loss) and comprehensive income (loss) for each of the comparable periods is presented in the table below.

| Three Months Ended June 30 | Six Months Ended June 30 |
|---------------------------------------|-------------------------------------|
|---------------------------------------|-------------------------------------|

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| | 2008 | 2007 | 2008 | 2007 |
|---|-------------|-------------|-----------------------|-------------|
| | | | <i>(In thousands)</i> | |
| Net Income (Loss) | \$ (13,480) | \$ 41,129 | \$ 13,350 | \$ 95,585 |
| Unrealized gain (loss) on derivatives | (726) | 2,220 | 1,036 | 3,477 |
| Unrealized gain (loss) on auction rate securities | 38 | | (907) | |
| Deferred tax benefit (expense) | 243 | (778) | (115) | (1,218) |
| Comprehensive Income (Loss) | \$ (13,925) | \$ 42,571 | \$ 13,364 | \$ 97,844 |

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Accumulated Other Comprehensive Income (Loss) A roll-forward of the amounts included in accumulated other comprehensive income (loss), net of taxes, is shown below.

| | Accumulated | Forward | | Accumulated |
|------------------------------|-------------|-----------------------|------------|---------------|
| | Translation | Foreign | Auction | Other |
| | Adjustment | Currency | Rate | Comprehensive |
| | | Contracts | Securities | Income/(Loss) |
| | | <i>(In thousands)</i> | | |
| Balance at December 31, 2007 | \$ (8,978) | \$ 5,075 | \$ | \$ (3,903) |
| Change in value | | 673 | (659) | 14 |
| Balance at June 30, 2008 | \$ (8,978) | \$ 5,748 | \$ (659) | \$ (3,889) |

The amount of accumulated translation adjustment included in accumulated other comprehensive income (loss) relates to prior translations of subsidiaries whose functional currency was not the U.S. dollar. The amount of gain on forward foreign currency contracts included in accumulated other comprehensive income (loss) hedges the Company's exposure to changes in Norwegian Kroners for commitments of long-term vessel charters.

12. Stock-Based Compensation

Pursuant to Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, (SFAS 123(R)) companies must recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards.

The table below sets forth the total amount of stock-based compensation expense for the three and six months ended June 30, 2008 and 2007.

| | Three Months Ended | | Six Months Ended | |
|--|-----------------------|----------|------------------|----------|
| | June 30 | | June 30 | |
| | 2008 | 2007 | 2008 | 2007 |
| | <i>(In thousands)</i> | | | |
| Stock-based compensation expense | \$ 782 | \$ 1,102 | \$ 1,558 | \$ 2,417 |
| Stock options | | | | |
| Restricted stock | 2,232 | 2,482 | 4,020 | 5,160 |
| Performance shares and units | 690 | 471 | 1,070 | 1,590 |
| Total stock-based compensation expense | \$ 3,704 | \$ 4,055 | \$ 6,648 | \$ 9,167 |

13. Other Income (Expense), net

Components of other income (expense), net are as follows:

| | Three Months Ended | | Six Months Ended | |
|---|-----------------------|----------|------------------|----------|
| | June 30 | | June 30 | |
| | 2008 | 2007 | 2008 | 2007 |
| | <i>(In thousands)</i> | | | |
| Foreign exchange rate gain (loss) | \$ (2,231) | \$ (578) | \$ (2,236) | \$ (874) |
| Derivative contract gain (loss) | (135) | 322 | 588 | 558 |
| Reversal of allowance for doubtful accounts | | 660 | | 787 |

| | | | | |
|-----------------------------|------------|--------|------------|--------|
| Other income (expense), net | (123) | 361 | 16 | 135 |
| Total | \$ (2,489) | \$ 765 | \$ (1,632) | \$ 606 |

14. Income Taxes

The Company's effective tax rate for the three and six months ended June 30, 2008 was 25.1% and 29.6%, respectively, compared to 30.0% and 30.5% for the three and six months ended June 30, 2007. The difference in the effective tax rate between the three months ended June 30, 2008 and 2007 reflects a change in the mix of taxable earnings by jurisdiction.

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In the second quarter of 2008, a tax liability totaling \$1.5 million in taxes and \$0.3 million in penalties for late filing related to uncertain tax positions taken in prior years was settled. The liability related to filing requirements in West Africa. Taxes and penalties associated with years 1997 through 2006 were paid with a corresponding reduction in the reserve for uncertain tax positions for the amount of \$1.5 million.

15. Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income during the period by the weighted average number of common shares outstanding during each period. Diluted EPS is computed by dividing net income (loss) during the period by the weighted average number of shares that would have been outstanding assuming the issuance of dilutive potential common shares as if outstanding during the reporting period, net of shares assumed to be repurchased using the treasury stock method.

The following table presents the reconciliation between basic shares and diluted shares.

| | Three Months Ended | | Six Months Ended | |
|---|--|-------------|-------------------------|-------------|
| | June 30 | | June 30 | |
| | 2008 | 2007 | 2008 | 2007 |
| | <i>(In thousands, except per share data)</i> | | | |
| Net income (loss) | \$ (13,480) | \$ 41,129 | \$ 13,350 | \$ 95,585 |
| Common shares dilution | | | | |
| Weighted-average shares outstanding basic | 114,260 | 117,305 | 113,954 | 116,946 |
| Effect of dilutive securities Stock options | | 1,437 | 894 | 1,303 |
| Performance shares and units | | 426 | 156 | 426 |
| Restricted stock | | | 712 | |
| Weighted-average shares outstanding diluted | 114,260 | 119,168 | 115,716 | 118,675 |
| Earnings (loss) per share | | | | |
| Basic | \$ (0.12) | \$ 0.35 | \$ 0.12 | \$ 0.82 |
| Diluted | \$ (0.12) | \$ 0.35 | \$ 0.12 | \$ 0.81 |

Approximately 3.3 million potential shares of common stock were excluded from the diluted EPS for the three months ended June 30, 2008 because they were anti-dilutive. Approximately 0.5 million and 0.1 million potential shares of common stock were excluded from the diluted EPS for the six months ended June 30, 2008 and 2007, respectively, because they were anti-dilutive. There were no anti-dilutive shares excluded from the diluted earnings per share computation for the quarter ended June 30, 2007.

16. Segment Information

During 2007, we reorganized the underlying operations and economics of our operating segments. As a result, the reportable segments were realigned to better reflect our internal management reporting structure and to facilitate our growth strategy and renewed focus on diving and underwater services. Also, effective with the reorganization, we renamed our diving services to subsea services to more accurately depict our expanding business beyond diving services to include diverless intervention, SURF (subsea equipment, umbilical, riser and flow-line), and IRM (inspection, repairs and maintenance) services. The six reportable segments prior to reorganization included: Gulf of Mexico Offshore Construction Division (OCD), Gulf of Mexico Diving, Latin America, West Africa, Middle East (including the Mediterranean and India), and Asia Pacific. In the second quarter of 2008, we renamed our Gulf of Mexico segments to North America segments to better reflect our strategic direction to expand our marketing efforts into Canada, Newfoundland, and other regions in North America. The six revised

reportable segments subsequent to the reorganization and renaming of the Gulf of Mexico segments include: North America OCD, North America Subsea, Latin America, West Africa, Middle East (including the Mediterranean) and Asia Pacific/India. This reorganization is reflected as a retrospective change to the financial information presented in the three and six months ended June 30, 2007 and consists of the following:

a geographical shift of India operations from the Middle East to Asia Pacific;

transfer of a portion of subsea services from the Middle East to West Africa; and

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corporate interest income and expense no longer being allocated to the reportable segments.

The above organizational changes did not have an impact on consolidated net income or cash flows. The following table presents information about the profit (loss) for each of our revised reportable segments and includes an allocation of all corporate expense to the reportable segments, with the exception of interest expense.

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------------------------------|------------|-----------------------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| | <i>(In thousands)</i> | | | |
| Total segment revenues | | | | |
| North America OCD | \$ 22,632 | \$ 31,176 | \$ 29,572 | \$ 48,038 |
| North America Subsea | 35,681 | 42,699 | 59,700 | 72,104 |
| Latin America | 55,578 | 33,017 | 125,750 | 134,865 |
| West Africa | 77,123 | 57,976 | 117,740 | 109,250 |
| Middle East | 66,938 | 34,014 | 152,447 | 43,425 |
| Asia Pacific/India | 49,886 | 67,741 | 131,894 | 147,957 |
| Subtotal | 307,838 | 266,623 | 617,103 | 555,639 |
| Intersegment eliminations | | | | |
| North America OCD | | (5,587) | | (7,726) |
| North America Subsea | (6,990) | (3,512) | (13,028) | (5,286) |
| Middle East | (305) | (8,471) | (2,067) | (16,565) |
| Asia Pacific/India | | (113) | | (113) |
| Subtotal | (7,295) | (17,683) | (15,095) | (29,690) |
| Consolidated revenues | \$ 300,543 | \$ 248,940 | \$ 602,008 | \$ 525,949 |
| Income (loss) before taxes | | | | |
| North America OCD | \$ 650 | \$ 6,435 | \$ (7,280) | \$ 5,226 |
| North America Subsea | 6,045 | 15,812 | 4,471 | 26,421 |
| Latin America | (14,588) | 11,511 | 3,236 | 64,819 |
| West Africa | (7,291) | (8,290) | (13,494) | (7,781) |
| Middle East | (11,531) | 11,019 | 6,438 | 12,538 |
| Asia Pacific/India | 9,167 | 19,744 | 21,806 | 31,337 |
| Corporate | (455) | 2,505 | 3,776 | 4,970 |
| Consolidated income (loss) before taxes | \$ (18,003) | \$ 58,736 | \$ 18,953 | \$ 137,530 |

17. Subsequent Event

On August 4, 2008, the Company's Board of Directors approved a program which authorizes \$100.0 million for the repurchase of outstanding shares of the Company's common stock over the next twelve month period ending August 4, 2009.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
Forward-Looking Statements**

From time to time, our management or persons acting on our behalf make forward-looking statements to inform existing and potential security holders about the Company. These statements may include projections and estimates concerning the timing and success of specific projects and our future backlog, revenues, income, and capital spending. Forward-looking statements are generally accompanied by words such as estimate, project, believe, expect, anticipate, plan, goal, or other words that convey the uncertainty of future events or outcomes.

In addition, various statements in this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2008 (Quarterly Report), including those that express a belief, expectation, or intention, as well as those that are not statements of historical fact, are forward-looking statements. We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our Company and to take advantage of the safe harbor protection for forward-looking statements that applicable federal securities law affords.

Our forward-looking statements speak only as of the date of this report. We disclaim any obligation to update these statements unless required by securities laws, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory, and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies, and uncertainties relate to, among other matters, the following:

- the level of capital expenditures in the oil and gas industry;
- risks inherent in doing business abroad;
- operating hazards related to working offshore;
- dependence on significant customers;
- ability to attract and retain skilled workers;
- general industry conditions;
- environmental matters;
- changes in laws and regulations;
- the effects of resolving claims and variation orders;
- availability of capital resources;
- delays or cancellation of projects included in backlog;
- fluctuations in the prices or demand for oil and gas;
- changes in vessel construction costs and delays in completion of vessels

the level of offshore drilling activity; and

foreign exchange and currency fluctuations.

We believe the items we have outlined above are important factors that could cause our actual results to differ materially from the estimates in our financial statements and those expressed in forward-looking statements made in this report or elsewhere. These factors are not necessarily all the important factors that could affect us.

Unpredictable or unknown factors we have not discussed in this report could also have material adverse effects on actual results of matters that are the subject of our forward-looking statements. We do not intend to update our description of important factors each time a potential important factor arises, except as required by applicable securities laws and regulations. We advise existing and potential security holders to be aware that important factors not referred to above could affect the accuracy of our forward-looking statements. For more detailed information regarding risks, see the discussion of risk factors in Item 1A of our Annual Report on Form 10-K for 2007.

The following discussion presents management's discussion and analysis of our financial condition and results of operations.

Results of Operations

General

We are a leading offshore construction company offering a comprehensive and integrated range of marine construction and support services in the North America, Latin America, West Africa, the Middle East (including the Mediterranean), and Asia Pacific/India regions. These services include pipeline construction, platform installation and removal, project management,

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construction support, diving services, diverless intervention, SURF, IRM, and decommissioning/plug and abandonment services.

Our results of operations, in terms of revenues, gross profit, and gross profit as a percentage of revenues (margins), are principally driven by three factors: (1) our level of offshore construction and subsea activity (activity), (2) pricing, which can be affected by contract mix (pricing), and (3) operating efficiency on any particular construction project (productivity).

Our business consists of two principal activities:

Offshore Construction Services, which include pipeline construction and platform installation and removal services; and

Subsea Services, which include diving, diverless intervention, SURF, IRM, salvage, and site clearance services.

Offshore Construction Services

The level of our offshore construction activity in any given period has a significant impact on our results of operations. Our results of operations depend heavily upon our ability to obtain, in a very competitive environment, a sufficient quantity of offshore construction contracts with sufficient gross profit margins to recover the fixed costs associated with our offshore construction business. The offshore construction business is capital and personnel intensive, and as a practical matter, many of our costs, including the wages of skilled workers, are effectively fixed in the short run regardless of whether or not our vessels are being utilized in productive service. In general, as activity increases, a greater proportion of these fixed costs are recovered through operating revenues; consequently, gross profit and margins increase. Conversely, as activity decreases, our revenues decline, but our costs do not decline proportionally, thereby constricting our gross profit and margins. Our activity level can be affected by changes in demand due to economic or other conditions in the oil and gas exploration industry, seasonal conditions in certain geographical areas, and our ability to win the bidding for available jobs.

Most of our offshore construction revenues are earned through international contracts which are generally larger, more complex, and of longer duration than our typical domestic contracts. Most of these international contracts require a significant amount of working capital, are generally bid on a lump-sum basis, and are secured by a letter of credit or performance bond. Operating cash flows may be negatively impacted during periods of escalating activity due to the substantial amounts of cash required to initiate these projects and the normal delays between our cash expenditures and cash receipts from the customer. Additionally, lump-sum contracts for offshore construction services are inherently risky and are subject to many unforeseen circumstances and events that may affect productivity and thus, profitability. When productivity decreases with no offsetting decrease in costs or increases in revenues, our contract margins erode compared to our bid margins. In general, we traditionally bear a larger share of project related risks during periods of weak demand for our services and a smaller share of risks during periods of high demand for our services. Consequently, our revenues and margins from offshore construction services are subject to a high degree of variability, even as compared to other businesses in the offshore energy industry.

Subsea Services

Most of our subsea revenues are the result of short-term work, involve numerous smaller contracts, and are usually based on a day-rate charge. Financial risks associated with these types of contracts are normally limited due to their short-term and non-lump sum nature. However, some subsea contracts, especially those that utilize dive support vessels (DSVs), may involve longer-term commitments that extend from the exploration, design, and installation phases of a field throughout its useful life by providing IRM services. The financial risks which are associated with these commitments remain low in comparison with our offshore construction activities due to the day-rate structure

of the contracts. Revenues and margins from our subsea activities tend to be more consistent than from our offshore construction activities.

Table of Contents**Quarter Ended June 30, 2008 Compared to Quarter Ended June 30, 2007**

| | 2008 | | 2007 | | % Change (Unfavorable) |
|--|--------------------|-----------------|------------------|-----------------|---------------------------|
| | (Thousands) | % of Revenue | (Thousands) | % of Revenue | |
| Revenues | \$ 300,543 | 100.0% | \$ 248,940 | 100.0% | 20.7% |
| Cost of operations | 292,707 | 97.4 | 174,807 | 70.2 | (67.4) |
| Gross profit | 7,836 | 2.6 | 74,133 | 29.8 | (89.4) |
| Loss on asset disposals | 151 | 0.1 | 12 | | n/m |
| Selling, general and administrative expenses | 24,961 | 8.3 | 19,884 | 8.0 | (25.5) |
| Operating income (loss) | (17,276) | (5.8) | 54,237 | 21.8 | (131.9) |
| Interest income | 3,470 | 1.2 | 5,766 | 2.3 | (39.8) |
| Interest expense | (1,708) | (0.6) | (2,032) | (0.8) | 15.9 |
| Other income (expense), net | (2,489) | (0.8) | 765 | 0.3 | (425.4) |
| Income (loss) before taxes | (18,003) | (6.0) | 58,736 | 23.6 | (130.7) |
| Income taxes (benefits) | (4,523) | (1.5) | 17,607 | 7.1 | 125.7 |
| Net income (loss) | \$ (13,480) | (4.5%) | \$ 41,129 | 16.5% | (132.8%) |

Overview Net loss for the second quarter of 2008 was \$13.5 million on revenues of \$300.5 million compared with 2007 second quarter net income of \$41.1 million on revenues of \$248.9 million. Second quarter of 2008 diluted loss per share was \$0.12 compared to diluted earnings per share of \$0.35 in the second quarter of 2007. During the second quarter of 2008, the Company increased its offshore activities in two new expanding markets, and gross profit was impacted by standby costs driven by exceptional weather downtime periods, logistical issues (such as port clearance and permitting) and rescheduling required as a result of difficulties in availability of support vessels and customer-furnished equipment and materials, as well as vessels undergoing dry docking activity.

Revenues Revenues increased \$51.6 million, or 21%, to \$300.5 for the second quarter of 2008 compared to \$248.9 million for the second quarter of 2007. Higher activity in the Middle East, Latin America, and West Africa contributed to the increase for the second quarter of 2008. This increase was partially reduced by lower revenues from North America and Asia Pacific/India due to the non-availability of vessels undergoing dry docking activity in the second quarter of 2008. We anticipate only minimal dry docking activity for the remainder of 2008.

For further discussion of revenues and income (loss) before taxes for each geographical area see Segment Information below.

Gross Profit Gross profit decreased by \$66.3 million, or 89%, to \$7.8 million in the second quarter of 2008 compared to \$74.1 million in the second quarter of 2007. Reduced profits from non-recovered vessel costs caused by project delays in the Middle East and Latin America, as well as additional project costs in West Africa were the main reasons for the decreased profitability in the second quarter of 2008.

Selling, General and Administrative Expenses Selling, general and administrative expenses increased by \$5.1 million, or 26%, to \$25.0 million for the second quarter of 2008 compared to \$19.9 million for the second quarter of 2007. Increased labor and infrastructure support costs, related to geographical expansion into Brazil and the Middle East, were incurred in the second quarter of 2008, compared to the second quarter of 2007.

Interest Income Interest income decreased by \$2.3 million, or 40%, to \$3.5 million for the second quarter of 2008 compared to \$5.8 million for the second quarter of 2007. Lower interest rates in the second quarter of 2008 contributed to lower return on cash balances and short-term investments, compared to the second quarter of 2007.

Interest Expense Interest expense decreased by \$0.3 million to \$1.7 million for the second quarter of 2008 primarily due to an adjustment for interest expense related to a previous uncertain tax position, partially offset by additional interest expense from the issuance of \$325.0 million of debentures in July 2007.

Other income (expense), net Other income, net decreased by \$3.3 million from the second quarter of 2007 primarily resulting from losses on foreign currency exchange rate differences incurred in the second quarter of 2008.

Income Taxes The Company's effective tax rate for the second quarter of 2008 was 25.1% as compared to 30.0% for the second quarter of 2007. The decrease in the effective tax rate was primarily due to a change in the mix of taxable earnings by jurisdiction.

Segment Information The following sections discuss the results of operations for each of our reportable segments during the quarters ended June 30, 2008 and 2007.

Table of Contents***North America Offshore Construction Division***

Revenues were \$22.6 million for the second quarter of 2008 compared to \$31.2 million for the second quarter of 2007. A decrease of \$8.6 million, or 28%, in the second quarter of 2008 was primarily due to lower activity related to extended dry docking of the *Cherokee* and the loss of incremental revenues from the *Pioneer*, which was transferred to North America Subsea in July 2007. Income before taxes was \$0.7 million for the second quarter of 2008 compared to \$6.4 million for the second quarter of 2007. A decrease of \$5.7 million, or 89%, was primarily attributable to lower revenues and non-recovered vessel costs resulting from lower vessel utilization in the second quarter of 2008.

North America Subsea

Revenues were \$35.7 million for the second quarter of 2008 compared to \$42.7 million for the second quarter of 2007. A decrease of \$7.0 million, or 16%, for the second quarter of 2008 was primarily due to decreased activity caused by reduced demand. Income before taxes was \$6.0 million during the second quarter of 2008 compared to \$15.8 million for the second quarter of 2007. A decrease of \$9.8 million, or 62%, in the second quarter of 2008 was primarily due to decreased revenues and increased rental expense related to a dive support vessel. This short-term leased vessel was used to replace the *REM Commander*, which transferred to Latin America in April 2008.

Latin America

Revenues were \$55.6 million for the second quarter of 2008 compared to \$33.0 million for the second quarter of 2007. An increase of \$22.6 million, or 68%, was due to higher activity in the second quarter of 2008 compared to lower activity from the final stages of work on projects in the second quarter of 2007. Loss before taxes was \$14.6 million for the second quarter of 2008 compared to income before taxes of \$11.5 million for the second quarter of 2007. A decrease of \$26.1 million was primarily attributable to lower profits, of approximately \$21.0 million, on a Brazilian project due to performance-related issues, logistical delays, and adverse weather during the second quarter of 2008.

West Africa

Revenues were \$77.1 million for the second quarter of 2008 compared to \$58.0 million for the second quarter of 2007. An increase of \$19.1 million, or 33%, was primarily due to higher activity in the second quarter of 2008 compared to the second quarter of 2007. For the second quarter of 2007, projects were abruptly suspended when security issues were experienced in Nigeria. In contrast, two significant projects were in progress in the second quarter of 2008. Loss before taxes was \$7.3 million for the second quarter of 2008 compared to \$8.3 million for the second quarter of 2007. Low vessel utilization contributed to the performance loss for both comparable quarters. Reduced profitability of approximately \$8.5 million occurred, during the second quarter of 2008, primarily as a result of weather downtime and vessel rescheduling. For the second quarter of 2007, lost project profitability of approximately \$14.0 million and additional project costs of approximately \$7.6 million were incurred as a result of projects being suspended in Nigeria because of security issues.

Middle East

Revenues were \$66.9 million for the second quarter of 2008 compared to \$34.0 million for the second quarter of 2007. An increase of \$32.9 million, or 97%, was attributable to higher activity related to increased demand for our services. Two major projects were in progress during the second quarter of 2008, compared to a low level of construction activity in the second quarter of 2007. Loss before taxes was \$11.5 million for the second quarter of 2008 compared to income before taxes of \$11.0 million for the second quarter of 2007. A decrease of \$22.5 million reflects additional costs incurred, resulting from project delays in the second quarter of 2008. Harsh weather, extended periods of standby, non-availability of vessels due to rescheduling and port logistics, and productivity issues resulted in lower profits of approximately \$43.8 million during the second quarter of 2008.

Asia Pacific/India

Revenues were \$49.9 million for the second quarter of 2008 compared to \$67.7 million for the second quarter of 2007. A decrease of \$17.8 million, or 26%, was due to lower activity, primarily resulting from dry docking a major construction vessel in the second quarter of 2008. A high level of activity was sustained on a large multi-year project in the second quarter of 2007. Income before taxes was \$9.2 million for the second quarter of 2008 compared to \$19.7 million for the second quarter of 2007. A decrease of \$10.5 million, or 53%, was due to the lower revenues and vessel stand-by costs incurred due to project delays in the second quarter of 2008.

Table of Contents**Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007**

| | 2008 | % of | 2007 | % of | % Change |
|--|--------------------|----------------|--------------------|----------------|----------------------|
| | (Thousands) | Revenue | (Thousands) | Revenue | (Unfavorable) |
| Revenues | \$ 602,008 | 100.0% | \$ 525,949 | 100.0% | 14.5% |
| Cost of operations | 539,842 | 89.7 | 358,342 | 68.1 | (50.6) |
| Gross profit | 62,166 | 10.3 | 167,607 | 31.9 | (62.9) |
| Gain on asset disposals | (2,012) | (0.3) | (1,308) | (0.2) | 53.8 |
| Selling, general and administrative expenses | 48,000 | 8.0 | 38,028 | 7.2 | (26.2) |
| Operating income (loss) | 16,178 | 2.6 | 130,887 | 24.9 | (87.6) |
| Interest income | 10,233 | 1.7 | 10,810 | 2.1 | (5.3) |
| Interest expense | (5,826) | (1.0) | (4,773) | (0.9) | (22.1) |
| Other income (expense), net | (1,632) | (0.3) | 606 | 0.1 | (369.3) |
| Income before taxes | 18,953 | 3.1 | 137,530 | 26.2 | (86.2) |
| Income taxes | 5,603 | 0.9 | 41,945 | 8.0 | 86.6 |
| Net income | \$ 13,350 | 2.2% | \$ 95,585 | 18.2% | (86.0%) |

Overview Net income for the six months ended June 30, 2008 was \$13.4 million on revenues of \$602.0 million compared to net income of \$95.6 million on revenues of \$525.9 million for the six months ended June 30, 2007. Diluted earnings per share was \$0.12 and \$0.81 for the six months ended June 30, 2008 and 2007, respectively. During the six months ended June 30, 2008, gross profit was impacted by additional project costs driven by logistical issues, exceptional weather downtime and non-availability of vessels undergoing dry docking.

Revenues. Revenues increased by \$76.1 million or, 15%, to \$602.0 million for the six month ended June 30, 2008 compared to \$525.9 million for the six months ended June 30, 2007. The increase was primarily due to higher activity in the Middle East for the six months ended June 30, 2008. For further discussion of revenues and income (loss) before taxes for each geographical area, see Results of Operations Segment Information below.

Gross Profit. Gross profit decreased by \$105.4 million, or 63%, to \$62.2 million for the six months ended June 30, 2008 compared to \$167.6 million for the six months ended June 30, 2007. The decrease reflects lower margins in all regions. Profits were reduced in Latin America as additional costs were incurred from project delays that were experienced in the current period. This compares to higher profits from Latin America during the six months ended June 30, 2007 as a result of favorable resolutions of change orders. In the North America region, project profitability was negatively impacted by adverse weather, competition and the non-availability of vessels. Profits in Asia Pacific/India were reduced by vessel standby costs in the current period. Adverse weather and logistical issues negatively impacted the results of the Middle East and West Africa in the current period.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$10.0 million, or 26%, to \$48.0 million for the six months ended June 30, 2008 compared to \$38.0 million for the six months ended June 30, 2007. Increased administrative support costs, related to geographical expansion into Brazil and the Middle East and higher professional fees, were incurred in the six months ended June 30, 2008, compared to the six months ended June 30, 2007.

Interest Expense. Interest expense increased by \$1.1 million, or 22%, to \$5.8 million for the six months ended June 30, 2008 compared to \$4.8 million for the six months ended June 30, 2007, resulting from the issuance of \$325.0 million of debentures in July 2007, partly offset by an adjustment recorded in the six months ended June 30, 2008 for interest expense related to a previous uncertain tax position

Other income (expense), net. Other income, net decreased by \$2.2 million from the six months ended June 30, 2007 primarily resulting from losses on foreign currency exchange rate differences incurred in the six months ended June 30, 2008.

Income Taxes. The Company's effective tax rate was 29.6% and 30.5%, respectively, for the six months ended June 30, 2008 and 2007.

Results of Operations Segment Information

The following sections discuss the results of operations for each of our reportable segments during the six month periods ended June 30, 2008 and 2007.

North America Offshore Construction Division

Revenues were \$29.6 million for the six months ended June 30, 2008 compared to \$48.0 million for the six months ended June 30, 2007. A decrease of \$18.4 million, or 38%, for the six months ended June 30, 2008 was primarily due to lower

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activity related to soft market conditions driven by competition and adverse weather and extended dry docking of the *Cherokee*. Loss before taxes was \$7.3 million for the six months ended June 30, 2008 compared to income before taxes of \$5.2 million for the six months ended June 30, 2007. A decrease of \$12.5 million was primarily attributable to lower revenues and non-recovered vessel costs, resulting from lower vessel utilization for the six months ended June 30, 2008.

North America Subsea

Revenues were \$59.7 million for the six months ended June 30, 2008 compared to \$72.1 million for the six months ended June 30, 2007. A decrease of \$12.4 million, or 17%, was due to reduced demand related to competition and adverse weather in the second quarter of 2008. Income before taxes was \$4.5 million for the six months ended June 30, 2008 compared to \$26.4 million for the six months ended June 30, 2007. A decrease of \$21.9 million, or 83%, was attributable to lower revenues and margins. For the six months ended June 30, 2007, higher project margins were generated from the *REM Commander* which was subsequently transferred to the Latin American region in April 2008.

Latin America

Revenues were \$125.8 million for the six months ended June 30, 2008 compared to \$134.9 million for the six months ended June 30, 2007. A decrease of \$9.1 million, or 7%, was primarily due to change orders. For the six months ended June 30, 2007, higher revenues were achieved from favorable resolutions of changes orders on projects in Mexico. Income before taxes was \$3.2 million for the six months ended 2008 compared to \$64.8 million for the six months ended June 30, 2007. A decrease of \$61.6 million, or 95%, was primarily due to increased costs. For the six months ended June 30, 2008, gross profit on a Brazilian project decreased, predominately in the second quarter of 2008, as additional costs were incurred from project delays resulting from performance-related issues, vessel clearance and permitting delays, and adverse weather conditions. This compares to high profit margins obtained from the favorable resolutions of change orders and claims on projects in Mexico in the six months ended June 30, 2007.

West Africa

Revenues were \$117.7 million for the six months ended June 30, 2008 compared to \$109.3 million for the six months ended June 30, 2007. An increase of \$8.4 million, or 8%, was primarily due to increased activity between comparable periods. Lower activity occurred in the six months ended June 30, 2007 when the Company rapidly curtailed the work program in Nigeria in May 2007 and demobilized the fleet from the area because of security risks. Loss before taxes was \$13.5 million for the six months ended June 30, 2008 compared to \$7.8 million for the six months ended June 30, 2007. For the six months ended June 30, 2008, additional costs were incurred related to project delays caused by vessel clearance and security issues, adverse weather and productivity issues. For the six months ended 2007, security issues experienced in Nigeria resulted in suspended projects and additional non-recovered vessel costs.

Middle East

Revenues were \$152.4 million for the six months ended June 30, 2008 compared to \$43.4 million during the six months ended June 30, 2007. An increase of \$109.0 million, or 251%, was attributable to higher activity related to increased demand for our services for the six months ended June 30, 2008. Two major projects were in progress during the six months ended June 30, 2008 compared to a low level of construction activity during the six months ended June 30, 2007. Income before taxes was \$6.4 million for the six months ended June 30, 2008 compared to \$12.5 million for the six months ended June 30, 2007. A decrease of \$6.1 million, or 49%, primarily reflects increased project costs in the second quarter of 2008 as a result of harsh weather, non-availability of vessels due to rescheduling and port logistics, and other performance-related issues. A portion of these additional project costs may be recovered in the future by claims and change orders.

Asia Pacific/India

Revenues were \$131.9 million for the six months ended June 30, 2008 compared to \$148.0 million for the six months ended June 30, 2007. A decrease of \$16.1 million, or 11%, was primarily attributable to lower activity due to extended dry docking of a major construction vessel that delayed the startup of a project during the six months ended June 30, 2008. No vessels were in dry dock during the six months ended June 30, 2007. Income before taxes was \$21.8 million for the six months ended June 30, 2008 compared to \$31.3 million for the six months ended June 30, 2007. A decrease of \$9.5 million, or 30%, was primarily due to lower revenues and vessel standby costs incurred as a result of the

project delays during the six months ended June 30, 2008.

Table of Contents***Utilization of Major Construction Vessels***

Worldwide utilization for our major construction vessels was 50% and 49% for the three and six month period ended June 30, 2008, respectively and 53% and 54% for the three and six month period ended June 30, 2007, respectively. Utilization of our major construction vessels is calculated by dividing the total number of days major construction vessels are assigned to project-related work by the total number of calendar days for the period. Dive support vessels, cargo/launch barges, ancillary supply vessels and short-term chartered project-specific construction vessels are excluded from the utilization calculation. We frequently use chartered anchor handling tugs, dive support vessels and, from time to time, construction vessels in our operations. Also, most of our international contracts (which are generally larger, more complex and of longer duration) are generally bid on a lump-sum or unit-rate (vs. day-rate) basis wherein we assume the risk of performance and changes in utilization rarely impact revenues but can have an inverse relationship to changes in profitability. For these reasons, we consider utilization rates to have a relatively low direct correlation to changes in revenue and gross profit.

Industry and Business Outlook

We believe that demand for our offshore construction and subsea services will remain strong over the next few years. Energy prices remain at high levels which are conducive to activity in the offshore energy industry, and worldwide trends in energy consumption indicate continuing demand for oil and natural gas. Additionally, we believe that current levels of offshore oil and gas exploration activity will create significant demand for our services over the next several years.

While we have experienced losses in three of our segments in the second quarter of 2008, our outlook for demand for our offshore construction and subsea services continues to be optimistic for our international regions, especially in the Middle East, Asia Pacific/India, and Latin America. We are encouraged by the increasing demand for our offshore construction and subsea services in Brazil and the Middle East; however as we entered these new markets our first projects in those regions have incurred non-reimbursable standby costs from delays which eroded our expected profitability to the extent we sustained losses during the second quarter of 2008 in both regions. Some of these additional costs may result in future change orders and claims. We have implemented project recovery plans and process improvements which should mitigate the cost overruns in subsequent periods. Also, in 2008, we do not expect to repeat the same high level of profitability on projects from our Latin America segment that we experienced during 2007. Although we have been experiencing reduced activity in our domestic operations, we are positive about the opportunities in North America during the remainder of 2008.

As of June 30, 2008, our backlog totaled approximately \$415.6 million (\$384.8 million for international regions and \$30.8 million for North America). Approximately 85% of this backlog is scheduled to be performed in 2008. The amount of our backlog in North America is not a reliable indicator of the level of demand for our services in this region due to the prevalence of short-term contractual arrangements. We are encouraged about our future backlog as bidding activity is high.

Liquidity and Capital Resources***Cash Flows***

Cash and cash equivalents as of June 30, 2008, were \$488.4 million compared to \$723.5 million as of December 31, 2007. The primary uses of cash and cash equivalents for the six months ended June 30, 2008 were expenditures for capital projects and working capital needs. The primary source of cash and cash equivalents during the six months ended June 30, 2008 was from the sale of auction rate securities and net income.

Operating activities used \$124.4 million of net cash during the six months ended June 30, 2008, compared to providing \$186.7 million of net cash during the six months ended June 30, 2007. The decrease of net cash generated from operating activities reflects higher working capital needs and lower net income. Changes in operating assets and liabilities were negative \$151.7 million during the six months ended June 30, 2008 compared to \$64.3 million during the six months ended June 30, 2007. Contributing to the decrease in changes in operating assets and liabilities, between comparable periods, was an increase in receivables generated from higher revenues and increased dry docking activities and related costs. During the third quarter of 2008, we have collected in excess of \$160.0 million from customers who were included in our accounts receivable and unbilled work on uncompleted contracts at June 30, 2008.

Investing activities used \$119.1 million of net cash during the six months ended June 30, 2008 compared to \$87.8 million during the six months ended June 30, 2007. Purchases of property and equipment, totaling \$177.4 million, resulted primarily from the expansion and upgrade to the fleet, partly offset by net sales of marketable securities, totaling \$52.1 million, contributed to the net cash used for the six months ended June 30, 2008. During the six months ended June 30, 2008, the Company incurred expenditures for the construction of two new generation derrick/pipelay vessels (the Global 1200 and Global 1201) and purchased a deepwater subsea construction vessel, the **Global Orion**. During the six months ended June 30, 2007, net cash used primarily consisted of net purchases of marketable securities totaling \$75.8 million.

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Financing activities provided \$8.4 million of net cash during the six months ended June 30, 2008 compared to providing \$14.1 million of net cash during the six months ended June 30, 2007. Contributing to this decrease was the lower net proceeds from the sale of Company's common stock during the six months ended June 30, 2008.

Contractual Obligations

On April 10, 2008, the Company approved the construction of a second new generation derrick/pipeline vessel, designated as the Global 1201, for an estimated cost of \$250.0 million. The contractual obligation for the construction of the Global 1200 is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Summary of Contractual Obligations in our Annual Report on Form 10-K for the year ended December 31, 2007. The information below summarizes the contractual obligations as of June 30, 2008 for the construction of the Global 1201 and the Global 1200, which represents contractual agreements with third party service providers to procure material, equipment and services for the construction of these vessels. The actual timing of these expenditures will vary based on the completion of various construction milestones, which are generally beyond our control.

| | |
|------------------|----------------------|
| | <i>(In millions)</i> |
| Less than 1 year | \$ 183.1 |
| 1 to 3 years | 206.8 |
| Total | \$ 389.9 |

Liquidity Risk

As of June 30, 2008, approximately 9% of our cash balances and short-term investments were held in auction rate securities. These securities are intended to provide liquidity through an auction process that resets the applicable interest rate at predetermined intervals, allowing investors to either roll over their holdings or sell them at par value. As a result of liquidity issues in the global credit markets, our investments in auction rate securities with a par value of \$42.9 million, as of July 15, 2008, have failed to settle at auction. Consequently, these investments are not currently liquid and we will not be able to access these funds until a future auction of these investments is successful or a buyer is found outside the auction process. We do not consider our investment in auction rate securities to be permanently impaired due to current illiquidity and have reclassified our investment to non-current, as we intend to continue holding these securities until anticipated recovery in fair value occurs.

Liquidity Outlook

During the next twelve months, we expect that our balances of cash, cash equivalents, and marketable securities, supplemented by cash generated from operations and amounts available under our Revolving Credit Facility, will be sufficient to fund our operations (including increases in working capital required to fund any increases in activity levels), scheduled debt retirement, common stock repurchases, and currently planned capital expenditures. The Company's Board of Directors approved a stock repurchase program on August 4, 2008, which authorizes \$100.0 million for the repurchase of outstanding shares of the Company's common stock over the next twelve month period ending August 4, 2009. Capital expenditures for the remainder of 2008 are expected to be between \$145.0 million and \$165.0 million. This range includes expenditures for the Global 1200, Global 1201, and various vessel upgrades. In addition, we will continue to evaluate the divestiture of assets that are no longer critical to our operations to reduce our operating costs and maintain our strong financial position.

Based on our expected operating cash flows and our other sources of cash, we do not believe the reduction in liquidity of our investments in auction rate securities will have a material impact on our overall ability to meet our liquidity needs during the next twelve months.

As we have done historically, we regularly evaluate the merits of opportunities that arise for the acquisition of equipment or businesses and may require additional liquidity if we decide to pursue such opportunities.

The long-term liquidity of the Company will be determined by our ability to earn operating profits which are sufficient to cover our fixed costs, including scheduled principal and interest payments on debt, and to provide a reasonable return on shareholders' investment. We believe that earning such operating profits will enable the Company to maintain its access to

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favorably priced debt, equity, and/or other financing arrangements which may be required to finance our operations, maintain our fleet, and/or expand our business. Our ability to earn operating profits in the long run will be determined by, among other things, the continued viability of the oil and gas energy industry, commodity price expectations for crude oil and natural gas, the competitive environment of the markets in which we operate, and our ability to win bids and manage awarded projects to successful completion.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Due to the international nature of our business operations and the interest rate fluctuation, we are exposed to certain risks associated with changes in foreign currency exchange rates and interest rates.

Interest Rate Risk

We are exposed to changes in interest rates with respect to our investments in cash equivalents and marketable securities. Our investments consist primarily of commercial paper, bank certificates of deposit, repurchase agreements, money market funds, and tax-exempt auction rate securities. These investments are subject to changes in short-term interest rates. We invest in high grade investments with a credit rating of AA-/Aa3 or better, with a main objective of preserving capital. A 1% increase or decrease in the average interest rate of our cash equivalents and marketable securities at June 30, 2008 would have an approximate \$5.4 million impact on our pre-tax annualized interest income.

Foreign Currency Risk

As of June 30, 2008, the Company's contractual obligations under two long-term vessel charters will require the use of approximately 294.1 million Norwegian Kroners (or \$58.0 million as of June 30, 2008) over the next three years. We have hedged our non-cancellable Norwegian Kroner commitments related to this charter, and consequently, gains and losses from our forward foreign currency contracts will be substantially offset by gains and losses from the underlying commitment.

As of June 30, 2008, we were committed to purchase certain equipment which will require the use of 25.7 million (or \$40.6 million as of June 30, 2008) over the next three years. A 1% increase in the value of the Euro will increase the dollar value of these commitments by approximately \$0.4 million. In connection with certain Euro commitments, the Company entered into forward foreign currency contracts for the equivalent value of 1.5 million at an average exchange rate of \$1.45 per Euro. A 1% decrease in the value of the Euro at June 30, 2008 will create a derivative loss in reported earnings of less than \$0.1 million.

The estimated cost to complete capital expenditure projects in progress at June 30, 2008 will require an aggregate commitment of 158.8 million Singapore Dollars (or \$116.6 million US Dollars as of June 30, 2008). A 1% increase in the value of the Singapore Dollar at June 30, 2008 will increase the dollar value of these commitments by approximately \$1.2 million.

Additional quantitative and qualitative disclosures about market risk are in Item 7A. Quantitative and Qualitative Disclosures About Market Risk, of our Annual Report on Form 10-K for the year ended December 31, 2007.

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Item 4. Controls and Procedures.

As of the end of the period covered by this report, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures. These disclosure controls and procedures are designed to provide us with a reasonable assurance that all of the information required to be disclosed by us in our periodic reports filed under the Securities Exchange Act of 1934 as amended (Exchange Act) is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed and maintained to ensure that all of the information required to be disclosed by us in our reports is accumulated and communicated to our management, including our principal executive officer and chief financial officer, as appropriate to allow those persons to make timely decisions regarding required disclosure.

Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that material information relating to our Company is made known to management on a timely basis. Our Chief Executive Officer and Chief Financial Officer noted no significant deficiencies or material weaknesses in the design or operation of our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that are likely to adversely affect our ability to record, process, summarize, and report financial information. There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

Our operations are subject to the inherent risks of offshore marine activity including accidents resulting in the loss of life or property, environmental mishaps, mechanical failures, and collisions. We insure against certain of these risks. We believe our insurance should protect us against, among other things, the accidental total or constructive total loss of our vessels. We also carry workers' compensation, maritime employer's liability, general liability, and other insurance customary in our business. All insurance is carried at levels of coverage and deductibles that we consider financially prudent. Recently, our industry has experienced a tightening in the builders' risk market and the property market subject to named windstorms, which has increased deductibles and reduced coverage.

Our services are provided in hazardous environments where accidents involving catastrophic damage or loss of life could result, and litigation arising from such an event may result in us being named a defendant in lawsuits asserting large claims. Although there can be no assurance that the amount of insurance carried by our Company is sufficient to protect us fully in all events, management believes that our insurance protection is adequate for our business operations. A successful liability claim for which we are underinsured or uninsured could have a material adverse effect on the Company.

For information about the Company's internal FCPA investigation of its West Africa operation, refer to Note 10 included in Part I, Item 1 of the Notes to Condensed Consolidated Financial Statements.

We are involved in various routine legal proceedings primarily involving claims for personal injury under the General Maritime Laws of the United States and Jones Act as a result of alleged negligence. We believe that the outcome of all such proceedings, even if determined adversely, would not have a material adverse effect on our business or financial statements.

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007, which could materially affect our business, financial condition, or future results of operations. The risks described in our Annual Report on Form 10-K for the year ended December 31, 2007, are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or operating results.

Item 1B. Unresolved Staff Comments.

On June 4, 2008, we received a comment letter from the Staff of the Division of Corporation Finance with respect to its review of our Form 10-K for the year ended December 31, 2007 and our Form 10-Q for the quarter ended March 31, 2008. We submitted a response to the Staff on June 20, 2008. On July 21, 2008, we received a follow up letter from the Staff, seeking additional action for certain of our responses, most notably our accounting for dry docking expenditures. We are in discussion with the Staff to resolve these comments.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

Purchases of Equity Securities.

The following table contains the purchases of equity securities by the Company during the second quarter of 2008.

| Period | Total Number of Shares Purchased⁽¹⁾ | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|--------------------------------|---|---|---|---|
| April 1, 2008 - April 30, 2008 | 6,520 | \$ 16.72 | | |
| May 1, 2008 - May 31, 2008 | 22,336 | 18.49 | | |
| June 1, 2008 - June 30, 2008 | 482 | 16.46 | | |
| Total | 29,338 | \$ 18.06 | | |

(1) On July 17, 2007, the Board of Directors authorized the Company to withhold shares of restricted stock to satisfy payments for withholding taxes.

On August 4, 2008, our Board of Directors approved a program which authorizes \$100.0 million for the repurchase of outstanding shares of the Company's common stock over the next twelve month period ending August 4, 2009.

Item 4. Submission of Matters to a Vote of Security Holders.

Our 2008 Annual Meeting of Shareholders was held on May 14, 2008. At the meeting, each of the persons listed below was elected to our Board of Directors for a term ending at the 2009 Annual Meeting of Shareholders. The number of votes cast with respect to the election of each person is set forth opposite such person's name. The persons listed below constitute the entire Board of Directors.

| Name of Director | Number of Votes Cast | | |
|-------------------------|-----------------------------|-----------------|----------------------------|
| | For | Withhold | Broker Non-Vote |
| B. K. Chin | 101,753,791 | 1,467,045 | 0 |
| John A. Clerico | 102,743,389 | 477,447 | 0 |
| Lawrence Dickerson | 102,736,987 | 483,849 | 0 |

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| | | | |
|-----------------------|-------------|------------|---|
| Edward P. Djerejian | 101,772,112 | 1,448,724 | 0 |
| Larry E. Farmer | 102,739,003 | 481,833 | 0 |
| Edgar G. Hotard | 102,749,514 | 471,322 | 0 |
| Richard A. Pattarozzi | 91,254,039 | 11,966,797 | 0 |
| James L. Payne | 102,336,521 | 884,315 | 0 |
| Michael J. Pollock | 101,766,663 | 1,454,173 | 0 |
| Cindy B. Taylor | 100,922,831 | 2,298,005 | 0 |

In addition, shareholders ratified the appointment of our independent auditors. Votes cast with respect to the ratification of the appointment of Deloitte & Touche, LLP as independent auditors for 2008 were as follows (Broker non-votes are not counted and so had no effect on the approval):

| | |
|-----------------|--------------------|
| Votes for | 101,430,567 |
| Votes against | 1,757,948 |
| Votes abstain | 32,321 |
| Broker non-vote | 0 |
| Total | 103,220,836 |

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Item 6. Exhibits.

- * 15.1 - Letter regarding unaudited interim financial information.
- * 31.1 - Section 302 Certification of CEO, B. K. Chin
- * 31.2 - Section 302 Certification of CFO, Jeffrey B. Levos
- * 32.1 - Section 906 Certification of CEO, B. K. Chin
- * 32.2 - Section 906 Certification of CFO, Jeffrey B. Levos

- * Included with
this filing

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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

GLOBAL INDUSTRIES, LTD.

By: /s/ Jeffrey B. Levos

Jeffrey B. Levos
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Trudy P. McConnaughay

Trudy P. McConnaughay
Corporate Controller
(Principal Accounting Officer)

August 4, 2008