

subsea 7



**Earnings Presentation
Second Quarter 2015**

29 July 2015

12:00 noon UK time

Forward-looking statements

Certain statements made in this announcement may include 'forward-looking statements'. These statements may be identified by the use of words like 'anticipate', 'believe', 'could', 'estimate', 'expect', 'forecast', 'intend', 'may', 'might', 'plan', 'predict', 'project', 'scheduled', 'seek', 'should', 'will', and similar expressions. The forward-looking statements reflect our current views and are subject to risks, uncertainties and assumptions. The principal risks and uncertainties which could impact the Group and the factors which could affect the actual results are described but not limited to those in the 'Risk Management' section in the Group's Annual Report and Consolidated Financial Statements for the year ended 31 December 2014. These factors, and others which are discussed in our public announcements, are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: actions by regulatory authorities or other third parties; our ability to recover costs on significant projects; the general economic conditions and competition in the markets and businesses in which we operate; our relationship with significant clients; the outcome of legal and administrative proceedings or governmental enquiries; uncertainties inherent in operating internationally; the timely delivery of vessels on order; the impact of laws and regulations; and operating hazards, including spills and environmental damage. Many of these factors are beyond our ability to control or predict. Other unknown or unpredictable factors could also have material adverse effects on our future results. Given these factors, you should not place undue reliance on the forward-looking statements.

**Jean Cahuzac,
CEO**

Q2 2015 highlights

FINANCIAL

- Revenue
\$1.4 billion
- Adjusted EBITDA
\$275 million
 - *includes \$100m charge related to resizing*
- Adjusted EBITDA Margin
20.3%
- Diluted EPS of
\$0.27 per share

OPERATIONAL

- Good execution contributed to driving strong financial results
- Global vessel utilisation of 82%
- Significant progress on large projects in both hemispheres
- Life of Field activity remains low

ORDER IN-TAKE

- Order backlog
\$7.2 billion
- \$0.9 billion order intake including:
 - *Seven Seas PLSV, Brazil*
 - *Maria, Norway*
- Timing of market awards remains highly uncertain

OUTLOOK

- Challenging business environment persists
- Cost reduction programme on track to complete by early 2016
- Alliances formed to drive increased value for our clients

Business Unit performance overview

Northern Hemisphere and Life of Field

- Significant progress on Montrose, Aasta Hansteen and Martin Linge projects offshore UK and Norway
- Life of Field activity levels remain low
- Vessel utilisation reflects increased offshore activity compared to first quarter, but remains down on prior year

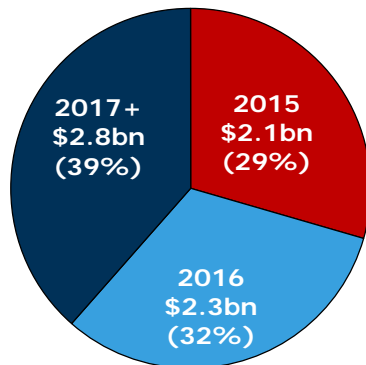
Southern Hemisphere and Global Projects

- Significant progress on Erha North, OFON 2, Lianzi and T.E.N. projects offshore Africa
- PLSVs maintained high levels of utilisation offshore Brazil
- Several large projects nearing completion

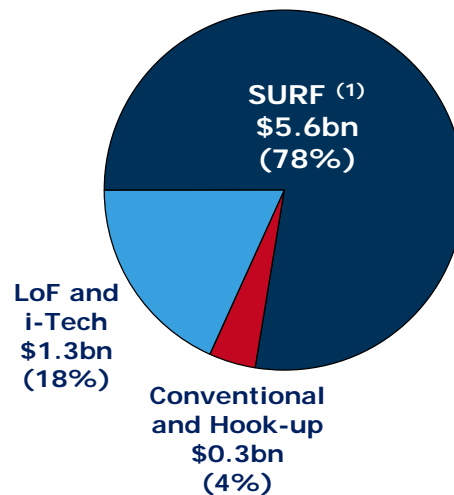
Q2 Backlog and order intake

- Backlog of \$7.2 billion as at 30 June 2015,
- \$0.9 billion order intake
 - No material foreign exchange impact during the quarter
- Announced awards:
 - Maria, offshore Norway; *Seven Seas* PLSV, offshore Brazil

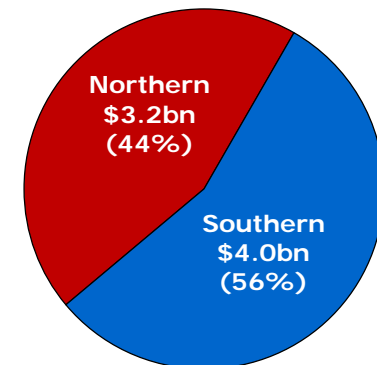
Backlog by Execution Date



Backlog by Service Capability



Backlog by Hemisphere



(1) Includes \$2.5billion related to the long-term PLSV contracts in Brazil

2015 Business Unit outlook

Northern Hemisphere and Life of Field

- North Sea continues to be significantly impacted by the low oil price, particularly offshore Norway
- Gulf of Mexico is active but highly competitive
- Life of Field activity remains low as clients reduce offshore activity

Southern Hemisphere and Global Projects

- Several large projects due to complete this year
- Timing of awards to market continues to be highly uncertain
- Continuing large project tenders include:
 - West Nile Delta
 - Bonga South West
 - Coral FLNG
 - Vashishta
 - Golfinho
 - ETAN

**Ricardo Rosa,
CFO**

Income statement – key highlights

In \$ millions, unless otherwise indicated.

	Three months ended	
	30 June 15 Unaudited	30 June 14 ⁽¹⁾ Unaudited
Revenue	1,352	1,905
Net operating income (NOI)	169	351
Income before taxes	137	363
Taxation	(49)	(98)
Net income	88	266
Adjusted EBITDA	275	452
Adjusted EBITDA margin	20.3%	23.7%
Diluted earning per share	\$0.27	\$0.74
Weighted average number of common shares	347	373

(1) Re-presented due to the declassification of assets held for sale

Income statement – Cost breakdown

In \$ millions.

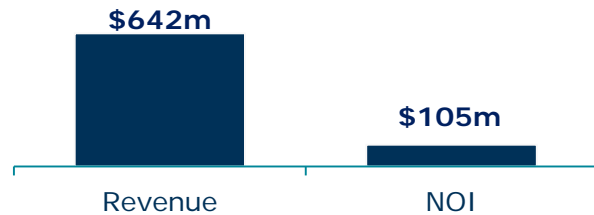
Three months ended 30 June 2015

	Reported	Resizing charge	Underlying
Operating expense	(1,119)	(84)	(1,035)
Administrative expense	(79)	(16)	(63)
Total	(1,198)	(100)	(1,098)

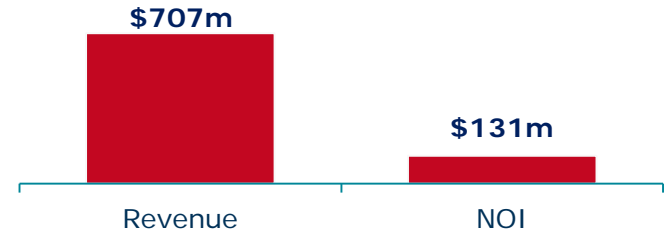
- \$100 million charge relates to the planned 2,500 reduction in the workforce
- The full charge is included in the results of the Corporate segment
- The charge does not impact the results of the Southern Hemisphere or Northern Hemisphere

Business Unit performance

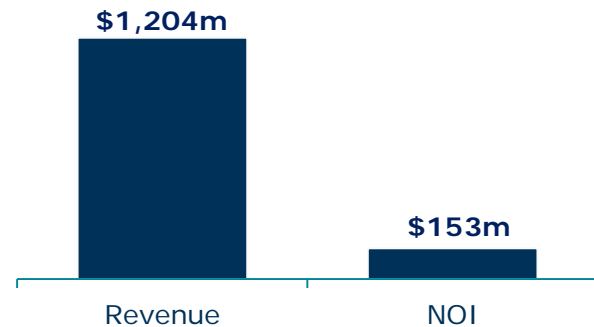
**Northern Hemisphere and Life of Field
Q2 2015**



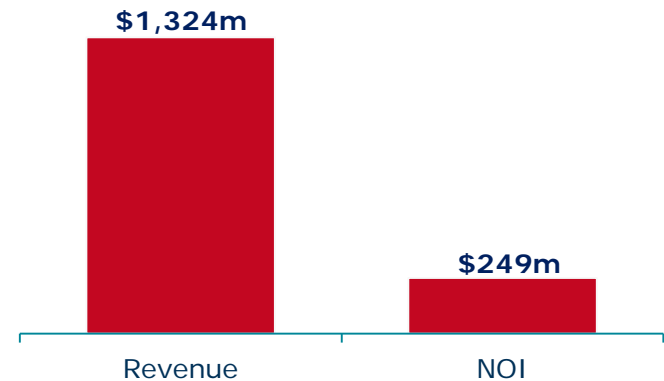
**Southern Hemisphere and Global Projects
Q2 2015**



**Northern Hemisphere and Life of Field
H1 2015**



**Southern Hemisphere and Global Projects
H1 2015**



Note: excludes contribution from Corporate segment

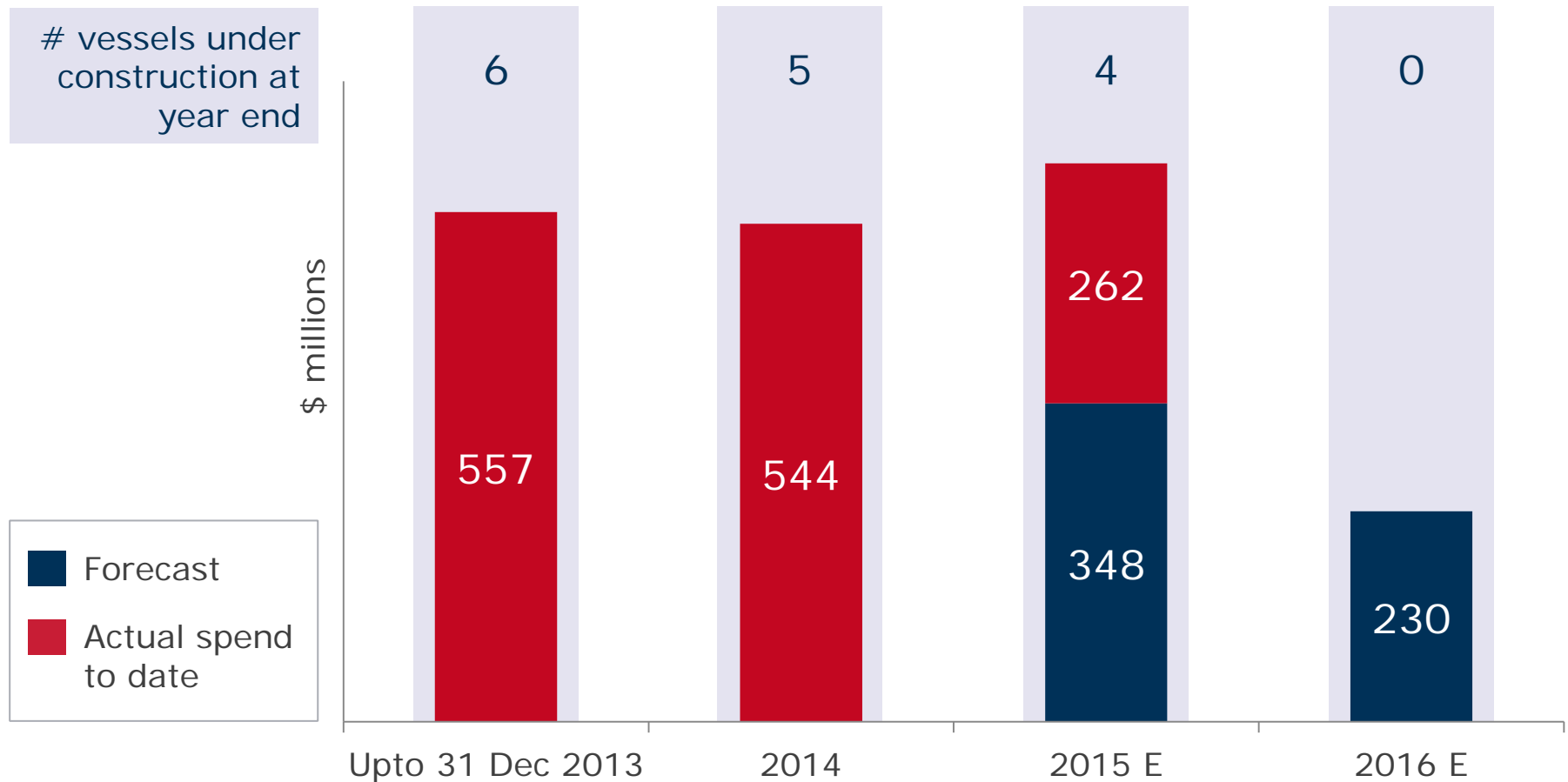
Summary of H1 2015 cash flow

	\$ millions	
Cash and cash equivalents at 31 Dec 2014	573	
Net cash generated from operating activities	219	<i>Includes decrease in net operating liabilities of \$195m</i>
Net cash flow used in investing activities	(333)	<i>Includes capital expenditure of \$362m mainly on new vessel construction programme</i>
Net cash flow used in financing activities	(13)	
Other movements	(13)	
Cash and cash equivalents at 30 June 2015	433	

Net debt of \$151m as at 30 June 2015 (\$6m as at 31 December 2014)

Second quarter net cash generated from operating activities was \$297 million, which included a \$153 million decrease in net operating assets

Capital expenditure for vessel new-build programme⁽¹⁾



⁽¹⁾ Comprises four PLSVs being constructed for long-term contracts with Petrobras (including *Seven Waves*, which was operational from May 2014), and construction of *Seven Arctic* and *Seven Kestrel*. Amounts include an estimate for interest to be capitalised during construction.

E = estimated

New-build vessels joining our fleet

Pipelay support vessels (PLSVs) contracted on 5 year term to Petrobras		Diving Support Vessel (DSV)		Heavy Construction Vessel (HCV)	
					
Vessel name <i>Seven Waves</i> <i>Seven Rio</i> <i>Seven Sun</i> <i>Seven Cruzeiro</i>	Delivery May 2014 Q4 2015 Q2 2016 Q4 2016	Vessel name <i>Seven Kestrel</i>	Delivery Q1 2016	Vessel name <i>Seven Arctic</i>	Delivery Q1 2016

New-build vessels joining our fleet are incremental to our cost base

- Operational costs include crew, maintenance and consumables
- Depreciation charges commence when the vessel is operational

Cost reduction programme on track

- 2,500 workforce reduction by early 2016
 - Annualised cost saving of around \$400 million
 - \$100 million charge recognised in Q2 related to the resizing
 - Forecast further charge of up to \$40 million, mostly this year
- 12 vessel reduction of the active fleet by early 2016
 - 4 chartered vessels, 8 owned vessels
 - Subsea 7 owned towers and pipelay equipment will be removed from the 4 chartered vessels and retained
 - 8 owned vessels will be stacked or sold
 - Annualised cash cost savings of around \$150 million
 - Excludes crew costs, included in workforce savings
 - Includes cost to long-term stack owned vessels

Active fleet management plan

	2014	2015	2016
Additions	Seven Waves ⁽¹⁾	Seven Rio ⁽¹⁾	Seven Sun ⁽¹⁾ Seven Cruzeiro ⁽¹⁾ Seven Arctic Seven Kestrel
Removals			
Owned – stacked or sold		Seven Osprey Seven Discovery Rockwater 1 Seven Polaris Seven Navica Seven Inagha Seven Antares Seven Petrel	
Chartered - returned		Skandi Seven Havila Subsea	Skandi Neptune Normand Subsea <u>or</u> Acergy Viking
Year end active fleet	39	30	32

⁽¹⁾ PLSV constructed for long-term contract with Petrobras

Financial guidance for 2015

- Group revenue expected to decrease significantly from record level in 2014
- Adjusted EBITDA margin expected to decrease compared to 2014
- Other net income related guidance:
 - Administrative expenses: \$280-300 million
 - Net finance costs: \$5-10 million
 - Depreciation and amortisation expense: \$420-440 million
 - Full year effective tax rate 31-33%
 - Charge of up to \$140 million relating to resizing the workforce
- Capex: \$810 - 835 million
 - \$610 million for the new-build vessel construction programme
 - \$200 -225 million for sustaining capex

**Jean Cahuzac,
CEO**

Lowering the cost of deepwater oil

Early engagement



Innovation



Simplification



Standardisation



Increasing our reach through industry alliances



Engaging Early to Deliver Value

Inject know-how
and technology at
the key early phases
of a project

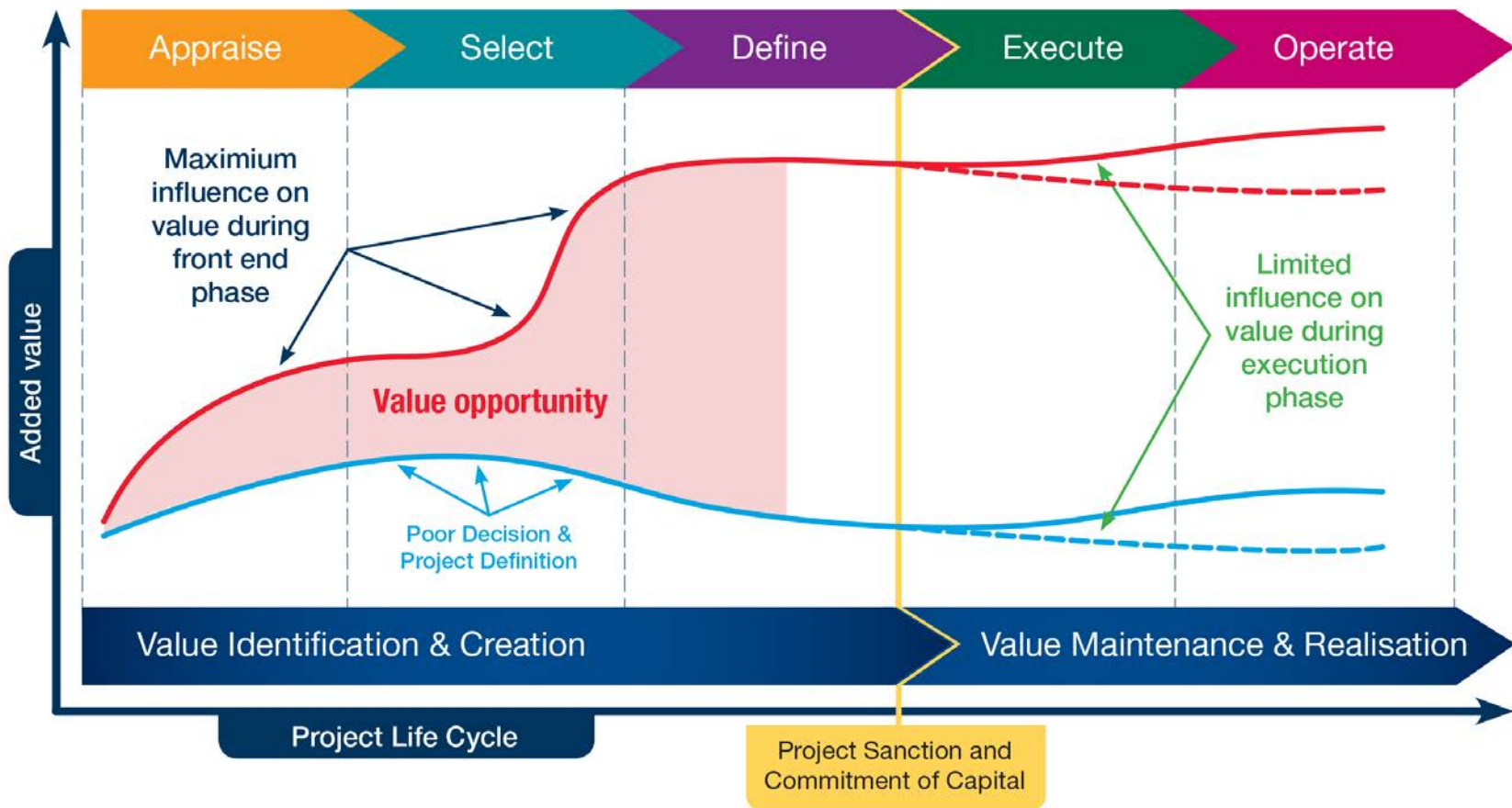
subsea 7



A single interface
to optimise
the project and
accelerate first oil

Collaborate on the Concept, Pre-FEED and FEED Engineering to inject know-how and technology at the key early phases of a project

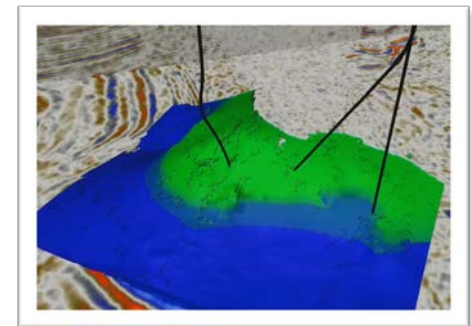
PROJECT VALUE CURVE



Improved return on investment through increased production, enhanced recovery and reduced cost

The alliance between OneSubsea® and Subsea 7 creates a single interface to optimise the project and accelerate first oil.

- Subsurface
- Subsea Production and Processing Systems
- Subsea Umbilicals, Risers and Flowlines
- Life of Field



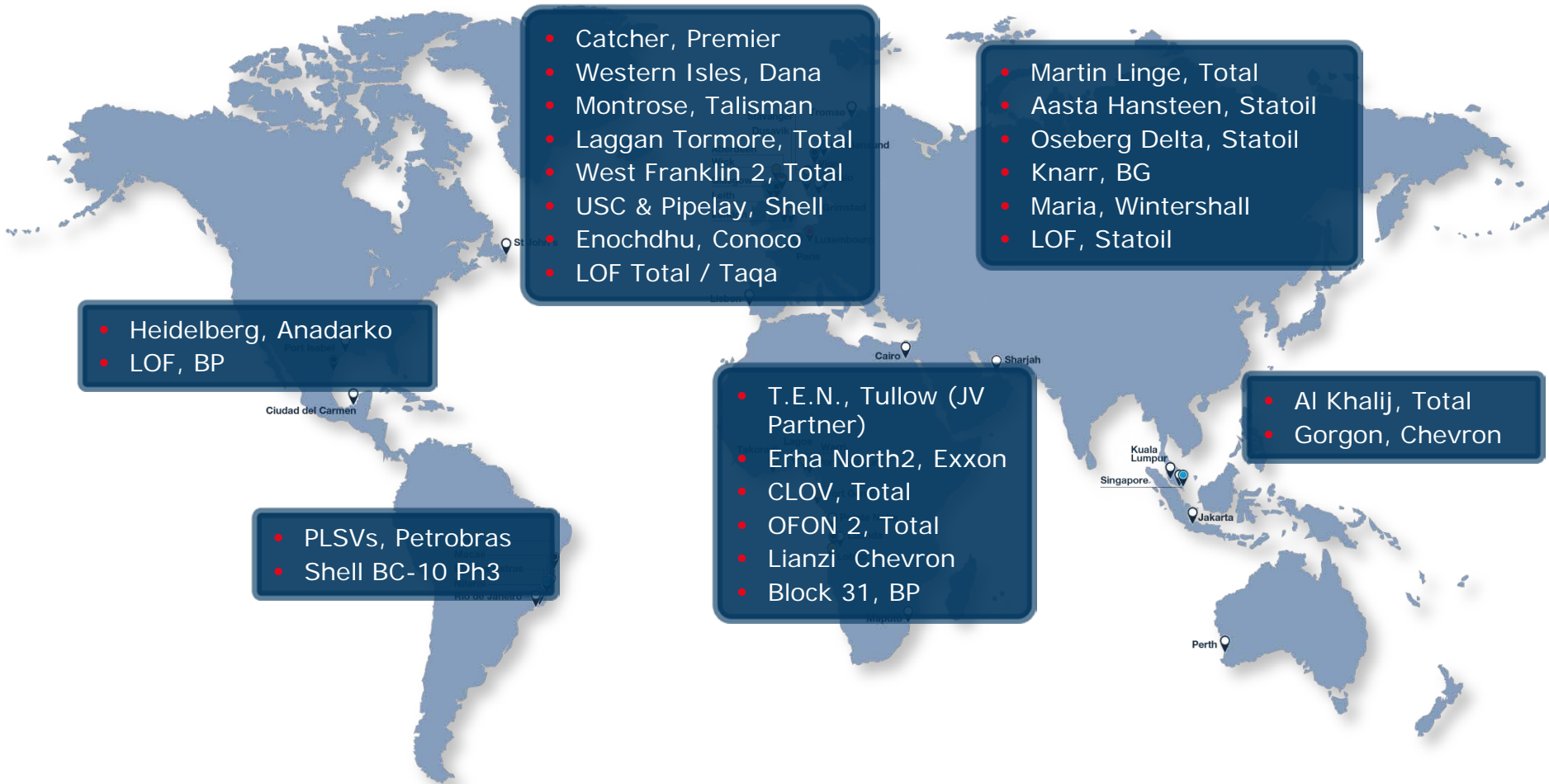
Subsea 7: Priorities for driving the business forward

- Work with clients and industry partners to reduce costs
- Reduce capacity medium-term
- Offer competitive solutions for new awards
- Insist on an acceptable project risk profile
- Invest in innovation and technology
- Execute projects effectively and consistently

Q & A

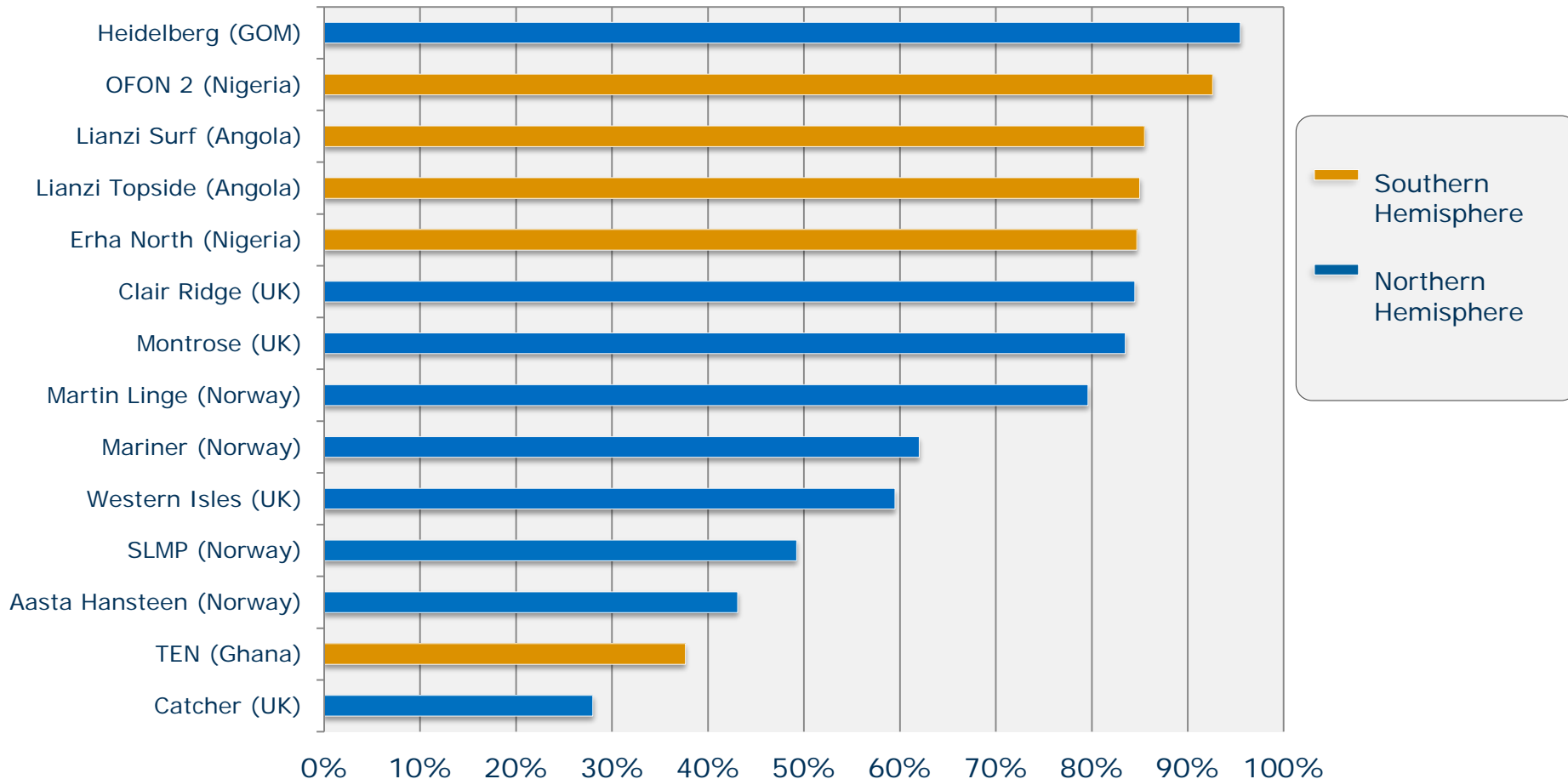
Appendix

Main projects in portfolio 2015-2016



Major project progression

Continuing projects >\$100m between 5% and 95% complete as at 30 June 2015 excluding PLSV and Life of Field day-rate contracts



Income statement – supplementary details

In \$ millions

Three months ended

	30 Jun 15 Unaudited	30 Jun 14 ⁽¹⁾ Unaudited
Administrative expenses	(79)	(67)
Share of net income of associates and joint ventures	14	27
Net operating income	169	351
Net finance income/(costs)	5	2
Other gains and losses	(36)	11
Income before taxes	137	363
Taxation	(49)	(98)
Net Income	88	266
Net Income Attributable to:		
Shareholders of the parent company	94	273
Non-controlling interests	(5)	(7)

(1) Re-presented due to the declassification of assets held for sale

Adjusted EBITDA

- Adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation, amortisation and mobilisation costs, impairment charges or impairment reversals, finance income, other gains and losses (including gain on disposal of subsidiary and gain on distribution), finance costs and taxation. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage.
- The items excluded from Adjusted EBITDA represent items which are individually or collectively material but which are not considered representative of the performance of the business during the periods presented. Other gains and losses principally relate to disposals of investments, property, plant and equipment and net foreign exchange gains or losses. Impairments of assets represent the excess of the assets' carrying amount over the amount that is expected to be recovered from their use in the future or their sale.
- Adjusted EBITDA and Adjusted EBITDA margin have not been prepared in accordance with IFRS as issued by the IASB as adopted for use in the EU. These measures exclude items that can have a significant effect on the Group's income or loss and therefore should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with IFRS) as a measure of the Group's operating results or cash flows from operations (as determined in accordance with IFRS) as a measure of the Group's liquidity.
- Management believes that Adjusted EBITDA and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the business. These non-IFRS measures provide management with a meaningful comparative for its various Territories, as they eliminate the effects of financing, depreciation and taxation. Management believes that the presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea 7's peer group and therefore believes it to be a helpful calculation for those evaluating companies within Subsea 7's industry. Adjusted EBITDA margin may also be a useful ratio to compare performance to its competitors and is widely used by shareholders and analysts following the Group's performance. Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

Reconciliation of Adjusted EBITDA

Net operating income to Adjusted EBITDA For the period (in \$millions)	Three Months Ended 30 Jun 2015	Three Months Ended 30 Jun 2014 ⁽¹⁾
Net operating income	168.8	350.8
Depreciation, amortisation and mobilisation	105.7	101.4
Adjusted EBITDA	274.5	452.2
Revenue	1,352.2	1,905.1
Adjusted EBITDA %	20.3%	23.7%

Net income to Adjusted EBITDA For the period (in \$millions)	Three Months Ended 30 Jun 2015	Three Months Ended 30 Jun 2014 ⁽¹⁾
Net income	88.4	265.6
Depreciation, amortisation and mobilisation	105.7	101.4
Finance income	(5.4)	(8.9)
Other gains and losses	36.4	(10.5)
Finance costs	0.6	7.0
Taxation	48.8	97.6
Adjusted EBITDA	274.5	452.2
Revenue	1,352.2	1,905.1
Adjusted EBITDA %	20.3%	23.7%

(1) Re-presented due to the declassification of assets held for sale

Segmental analysis

For the three months ended 30 June 2015

In \$ millions (unaudited)	Northern Hemisphere and LOF	Southern Hemisphere and GP	Corporate	TOTAL
Revenue	642.2	706.5	3.5	1,352.2
Net operating income	104.9	130.7	(66.8)	168.8
Finance income				5.4
Other gains and losses				(36.4)
Finance costs				(0.6)
Income before taxes				137.2

For the three months ended 30 June 2014

In \$ millions (unaudited)	Northern Hemisphere and LOF	Southern Hemisphere and GP	Corporate	TOTAL ⁽¹⁾
Revenue	863.4	1,037.8	3.9	1,905.1
Net operating income	128.6	194.2	28.0	350.8
Finance income				8.9
Other gains and losses				10.5
Finance costs				(7.0)
Income before taxes				363.2

(1) Re-presented due to the declassification of assets held for sale

Summary balance sheet

In \$ millions	30 Jun 2015 Unaudited	31 Dec 2014 Audited
Assets		
Non-current assets		
Goodwill	1,328	1,322
Property, plant and equipment	4,717	4,565
Other non-current assets	566	575
Total non-current assets	6,611	6,462
Current assets		
Trade and other receivables	849	840
Construction contracts - assets	359	378
Other accrued income and prepaid expenses	247	283
Cash and cash equivalents	433	573
Other current assets	71	88
Total current assets	1,959	2,162
Total assets	8,570	8,624

In \$ millions	30 Jun 2015 Unaudited	31 Dec 2014 Audited
Equity & Liabilities		
Total equity	5,775	5,562
Non-current liabilities		
Non-current portion of borrowings	583	576
Other non-current liabilities	269	284
Total non-current liabilities	852	860
Current liabilities		
Trade and other liabilities	1,466	1,674
Current portion of borrowings	1	2
Construction contracts – liabilities	318	426
Deferred revenue	2	2
Other current liabilities	156	98
Total current liabilities	1,943	2,202
Total liabilities	2,795	3,062
Total equity & liabilities	8,570	8,624

Assets

One of the world's most versatile fleets

Onshore infrastructure of pipeline spoolbases, fabrication and operations support yards

Rigid pipelay/heavy lift assets

Seven Borealis



Seven Oceans



Seven Navica



Seven Polaris



Seven Antares



Sapura 3000 ⁽¹⁾



Oleg Strashnov ⁽¹⁾



Stanislav Yudin ⁽¹⁾



(1) Owned and operated by a joint venture

Diving support assets

Seven Falcon ⁽¹⁾



Seven Atlantic



Seven Pelican



Seven Discovery



Seven Osprey



Rockwater 1



Rockwater 2



(1) Formerly *Seven Havila*

Construction/vertical flex-lay assets

Seven Seas



Seven Pacific



Seven Eagle



Seven Mar



Seven Phoenix



Skandi Neptune ⁽¹⁾



Skandi Seven ⁽¹⁾



Normand Oceanic ⁽²⁾



Skandi Acergy ⁽¹⁾



Seven Waves



- (1) Long-term charter
- (2) Long-term charter from a vessel-owning joint venture

Construction/horizontal flex-lay assets

Seven Condor



Simar Esperança (1)



Normand Seven (2)



Kommandor 3000



Subsea Viking (2)



(1) Formerly *Seven Sisters*
(2) Long-term charter

Life of Field/Light Construction Vessels

Seven Viking ⁽¹⁾



Seven Petrel



Acergy Viking ⁽²⁾



Havila Subsea ⁽²⁾



Normand Subsea ⁽²⁾



Grant Candies ⁽³⁾



Siem Stingray ⁽²⁾



- (1) Long-term charter from a vessel-owning joint venture
- (2) Long-term charter
- (3) Call-out contract

Other assets

Jack-up vessel

Seven Inagha



Trenching vessel

Skandi Skansen ⁽¹⁾



... and over 175 ROVs

Work class ROVs



Observation class ROVs



Drilling rig ROVs



(1) Long-term charter

8 owned vessels to leave the active fleet by early 2016

Rigid pipelay/ heavy lift vessels

Seven Navica



Seven Polaris



Seven Antares



Diving support vessels

Rockwater 1



Seven Osprey



Seven Discovery



Jack-up vessel

Seven Inagha



Life of Field/ Light Construction Vessel

Seven Petrel



4 chartered vessels to leave the active fleet by early 2016

Construction/vertical flex-lay Vessels

Skandi Seven



Skandi Neptune



Life of Field/ Light Construction Vessels

Havila Subsea



Normand Subsea



or

Acergy Viking



Under construction

Construction/vertical Flex-lay Vessels

Seven Arctic



Delivery due Q1 2016

Seven Cruzeiro



Delivery due Q4 2016

Seven Rio



Delivery due Q4 2015

Seven Sun



Delivery due Q2 2016

Diving Support Vessel

Seven Kestrel



Delivery due Q1 2016

Our operational facilities

Luanda Spoolbase, Angola



Port Isabel Spoolbase, USA



Lobito Fabrication Site, Angola



Ubu Spoolbase, Brazil



Vigra Spoolbase, Norway



Warri Fabrication Site, Nigeria



Leith Spoolbase, UK



NigerStar 7, Nigerdock, Nigeria



Wick Fabrication Site, UK





seabed-to-surface

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