subsea 7

# Earnings Presentation

# First Quarter 2014

*30 April 2014*

**12:00 noon UK time**

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# 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 2013. 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 and the timely completion of vessel conversion programmes; 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.

# Q1 2014 summary

## HIGHLIGHTS

- Improved financial result from prior year first quarter
- Projects progressing well overall
- The *Seven Waves* completed final equipment trials in Europe, ahead of schedule

## FINANCIAL

- Revenue increased 14% from prior year first quarter
- 16% Adjusted EBITDA margin achieved
- Net income and EPS increased from prior year quarter
- Brazil Territory back in profit
- Share repurchases continued: $65 million purchased in Q1

## OPERATIONAL

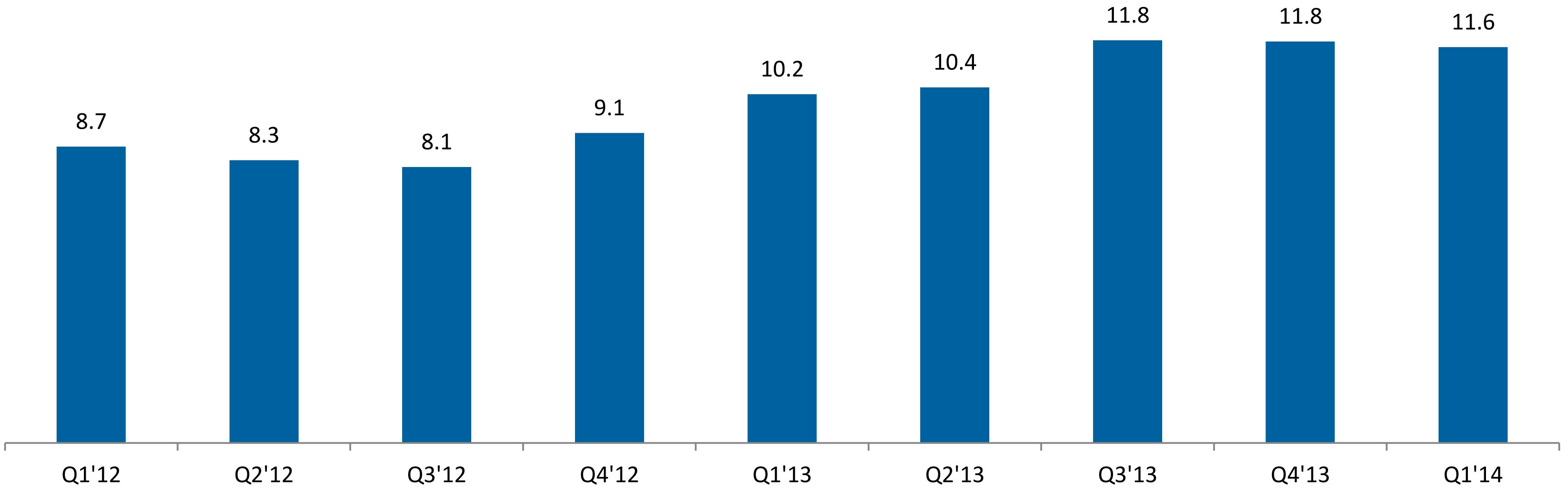
- Global vessel utilisation of 79%, up from prior year first quarter
- Key operational milestones achieved on Guará-Lula NE project
- New vessel construction projects progressing well, in line with cost estimates and ahead of schedule

## ORDER IN-TAKE

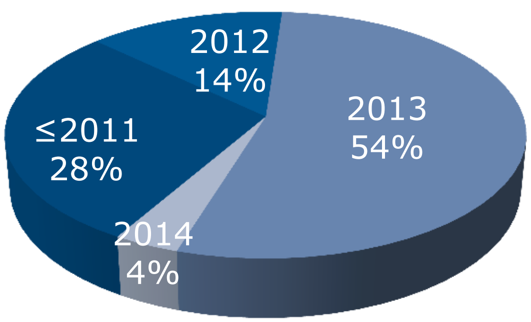
- Strong order backlog at $11.6 billion at quarter end
- In-take included a high level of scope changes to existing contracts and further commitments under existing Life-of-Field contracts
- New awards announced: BC-10 and i-Tech in Brazil, and Hebron in Canada

# Quality backlog - good spread by geography and contract mix

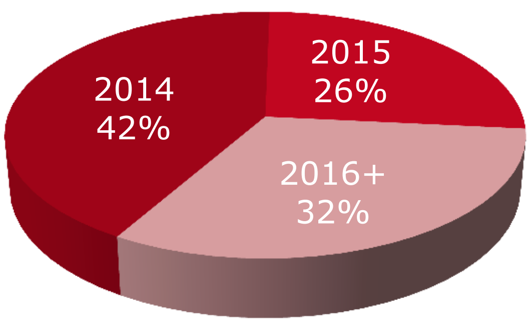
**Backlog progression ($ billions)**



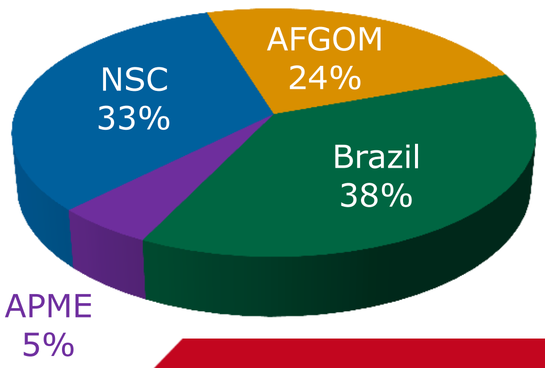

**Backlog by Award Date**




**Backlog by Execution Date**




**Backlog by Territory**



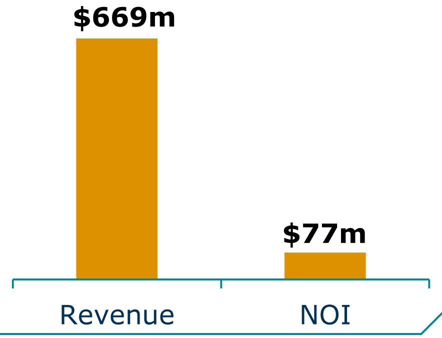
# Income statement – key highlights

| In $ millions, unless otherwise indicated | Three months ended 31 Mar 14 | Three months ended 31 Mar 13 |
|---|---|---|
| Revenue | 1,668 | 1,467 |
| Net operating income (NOI) | 166 | 154 |
| Income before taxes | 173 | 158 |
| Taxation | (36) | (26) |
| Net income | 137 | 132 |
| Adjusted EBITDA[1] | 264 | 241 |
| Adjusted EBITDA margin | 15.8% | 16.4% |
| Diluted earning per share | $0.41 | $0.37 |
| Weighted average number of common shares[2] | 376.0 | 396.4 |

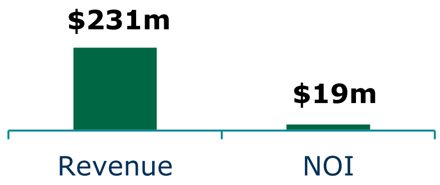
[1] Adjusted EBITDA defined in Appendix
[2] In Q1'14, the 2014 and 2017 convertible bonds were dilutive

# Territory performance – Q1 2014

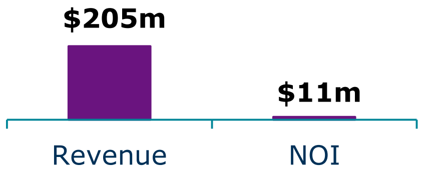
## AFGOM



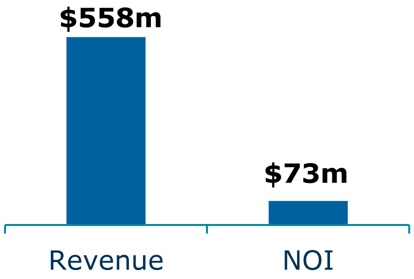

## Brazil




## APME




## NSC




Note: excludes contribution from Corporate segment

# Income statement – supplementary details

| In $ millions | Three months ended 31 Mar 14 | Three months ended 31 Mar 13 |
|---|---|---|
| Administrative expenses | (81) | (76) |
| Share of net income of associates and joint ventures | 16 | 16 |
| Net operating income | 166 | 154 |
| Finance costs net of finance income | (1) | (18) |
| Other gains and losses | 8 | 21 |
| Income before taxes | 173 | 158 |
| Taxation | (36) | (26) |
| **Net income** | **137** | **132** |
| **Net income attributable to:** | | |
| Shareholders of the parent company | 153 | 134 |
| Non-controlling interests | (16) | (2) |
| | **137** | **132** |

# Overview of Q1 2014 cash flow

| | $ millions | |
|---|---|---|
| Cash and cash equivalents at 31 Dec 2013 | 650 | |
| Net cash generated from operating activities | 257 | *Includes decrease in net operating assets of $70m* |
| Net cash flow used in investing activities | (271) | *Includes capital expenditure of $288m mainly on new vessel construction programme* |
| Net cash flow used in financing activities | (73) | *Includes $71m on shares repurchased* |
| Other movements | (25) | |
| Cash and cash equivalents at 31 Mar 2014 | 538 | |

# Summary balance sheet

| In $ millions | 31 Mar 2014 | 31 Dec 2013 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Goodwill | 2,609 | 2,585 |
| Property, plant and equipment | 4,291 | 4,098 |
| Other non-current assets | 538 | 538 |
| **Total non-current assets** | **7,438** | **7,221** |
| **Current assets** | | |
| Trade and other receivables | 1,039 | 1,008 |
| Assets classified as held for sale | 394 | 395 |
| Construction contracts - assets | 622 | 575 |
| Other accrued income and prepaid expenses | 377 | 404 |
| Cash and cash equivalents | 538 | 650 |
| Other current assets | 109 | 104 |
| **Total current assets** | **3,079** | **3,136** |
| **Total assets** | **10,517** | **10,357** |

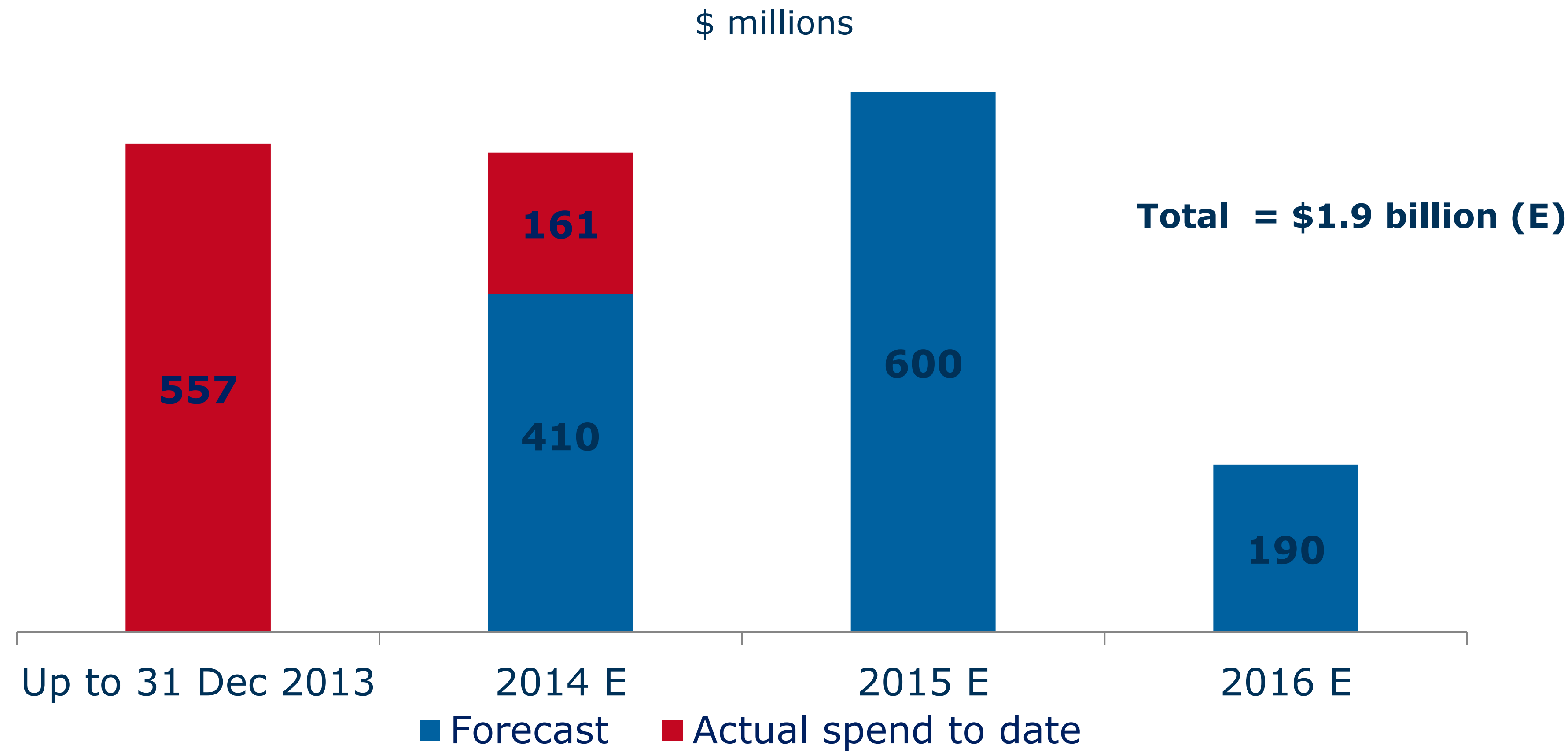
| In $ millions | 31 Mar 2014 | 31 Dec 2013 |
|---|---|---|
| **Equity & Liabilities** | | |
| **Total equity** | **6,728** | **6,612** |
| **Non-current liabilities** | | |
| Non-current portion of borrowings | 640 | 636 |
| Other non-current liabilities | 256 | 259 |
| **Total non-current liabilities** | **896** | **895** |
| **Current liabilities** | | |
| Trade and other liabilities | 1,786 | 1,637 |
| Current portion of borrowings | 275 | 275 |
| Liabilities associated with assets held for sale | 213 | 195 |
| Construction contracts - liabilities | 492 | 601 |
| Deferred revenue | 5 | 3 |
| Other current liabilities | 122 | 139 |
| **Total current liabilities** | **2,893** | **2,850** |
| **Total liabilities** | **3,789** | **3,745** |
| **Total equity & liabilities** | **10,517** | **10,357** |

# 2014 financial guidance

No change to previously communicated guidance (repeated below), other than lower expected effective tax rate

- Group revenue expected to increase from 2013 level
- Adjusted EBITDA expected to increase moderately from that achieved in 2013 after adding back the $355 million full life loss provision recognised on the Guará-Lula NE project
- Capex: $900 million - $1.0 billion, comprising
  - $560-590 million for the six new-build vessels under construction
  - $220-250 million for operating capex (existing fleet)
  - $120-160 million for vessel enhancements, i-Tech ROVs, offshore equipment and onshore facilities
- Other net income related guidance
  - Administrative expenses: $300-320 million
  - Net finance costs: less than $10 million
  - Depreciation and amortisation expense: $400-430 million
  - Full year 2014 effective tax rate: 27-29% (down from 29-31%)

# Capital expenditure for on-going vessel new-build programme[1]




Note:
1 Includes four PLSVs being constructed for long-term contracts with Petrobras (including the *Seven Waves*), and construction of the *Seven Arctic* and the *Seven Kestrel*. Amounts include an estimate for interest which will be capitalised during construction.
E = estimated

# Fleet investments to meet growth objectives: Vessels under construction

| Ship | Vessel Type | Rationale | Operational |
|---|---|---|---|
|  | ***Seven Waves***<br><br>**Pipelay Support Vessel (PLSV)** | Under 5-year contract with Petrobras | 2nd Quarter 2014 |
|  | ***Seven Sun***<br>***Seven Rio***<br>***Seven Cruzeiro***<br><br>**(PLSVs 2, 3 & 4)** | Under 5-year contracts with Petrobras | 4th Quarter 2015<br>2nd Quarter 2016<br>4th Quarter 2016 |
|  | ***Seven Kestrel***<br><br>**Diving Support Vessel (DSV)** | Fleet replacement investment for growing market | 4th Quarter 2015 |
|  | ***Seven Arctic***<br><br>**Heavy Construction Vessel (HCV)**<br>**900T crane** | Strategic investment; enabling for seabed compression/separation/ production module installation | 1st Quarter 2016 |

# Market overview

Tendering activity is high; however, the timing of some large contract awards remains uncertain

- SURF: strong tendering activity in the North Sea, Africa, Gulf of Mexico and Asia
- Life-of-Field: strong demand, particularly in the UK sector of the North Sea
- Conventional:  the activity of IOCs in West Africa is expected to grow in spite of the current lull

# 2014 outlook

**AFGOM**

- Africa
  - SURF: high tendering activity in West and East Africa; timing of large project market awards remains uncertain
  - Conventional: lack of short-term visibility on timing of IOCs' activity growth in Nigeria
- Gulf of Mexico
  - High tendering activity for small and medium-size SURF projects
  - Opportunities to extend Life-of-Field activities

**APME**

- Asia
  - Potential for large SURF project market awards late in 2014
- Australia
  - High local costs create challenges for operators, delaying new large project market awards

# 2014 outlook

## Brazil

- Guará-Lula NE project: good operational progress thus far in 2014
  - All four buoys to be fully installed by end of Q2
  - Riser installation and other offshore operations to be completed by late Q4

- The *Seven Waves* (PLSV) five-year contract to commence in Q2

- Territory financial turn-around on track, driven by cost reductions, new organisational structure and benefits of PLSV contract renewals

# 2014 outlook

## NSC

- SURF:
  - High level of tendering activity; timing of large project market awards remains somewhat uncertain
  - Our technology remains a key differentiator: strong interest from operators for our Bundle solution
  - Deployment of the *Seven Oceans* and the *Skandi Acergy* outside the North Sea tempers the Territory's revenue growth potential
- Life-of-Field:
  - Continuing strong demand for our Life-of-Field solutions driven by the flexibility provided by our fleet and engineering resources

## Joint Ventures

- Contribution from Seaway Heavy Lifting and SapuraAcergy joint ventures expected to diminish compared to record high 2013 levels

# Addressing our clients' needs

## Helping to reduce the cost of our clients' projects

- Early engagement to define optimal technical and cost-effective options
- Technology-driven solutions
- Focus on "fit-for-purpose" engineering without compromising risk profile
- Integrated project teams of Subsea 7 and client personnel
- Optimised commercial and risk-sharing model

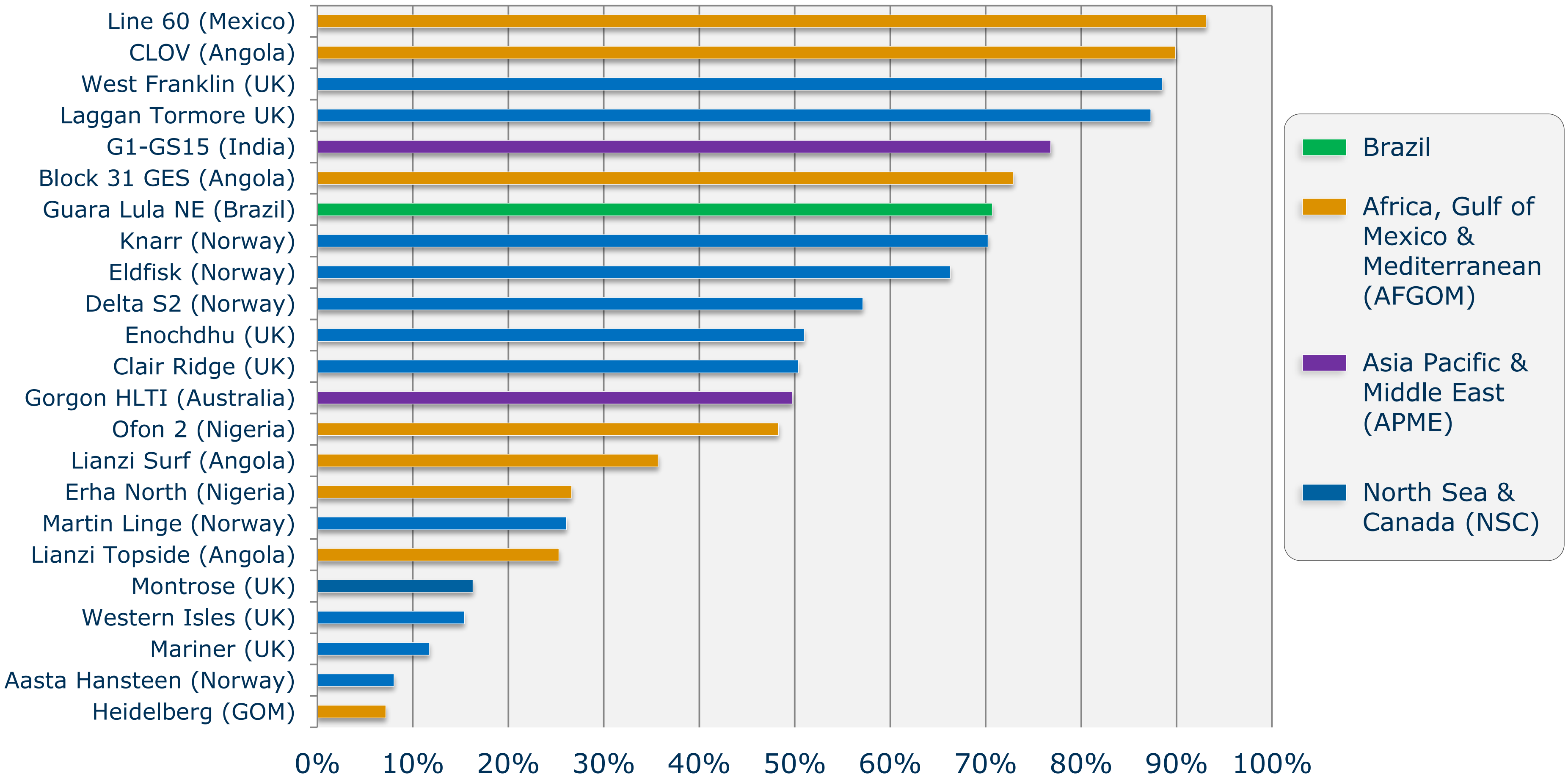
# Summary

- Good start to 2014, with increased revenue, Adjusted EBITDA, net income and EPS in Q1 compared to the prior year first quarter
- Strong order backlog of $11.6 billion at end of first quarter
- Brazil turnaround on track, supported by the renewal of existing PLSV contracts, deployment of the *Seven Waves* in Q2 and cost reduction initiatives
- Unchanged financial guidance for the full year 2014
- No change in market fundamentals: we remain positive on the medium- and long-term market prospects

# Appendix

# Major project progression

Continuing projects >$100m between 5% and 95% complete as at 31 March 2014 excl. PLSVs and Life-of-Field day-rate contracts



# Segmental analysis

## For the three months ended 31 March 2014

| In $ millions | AFGOM | APME | BRAZIL | NSC | CORP | TOTAL |
|---|---|---|---|---|---|---|
| Revenue | 669 | 205 | 231 | 558 | 5 | 1,668 |
| Net operating income/(loss) from ops | 77 | 11 | 19 | 73 | (14) | 166 |
| Finance income | | | | | | 4 |
| Other gains and losses | | | | | | 8 |
| Finance costs | | | | | | (5) |
| Income before taxes | | | | | | **173** |

## For the three months ended 31 March 2013

| In $ millions | AFGOM | APME | BRAZIL | NSC | CORP | TOTAL |
|---|---|---|---|---|---|---|
| Revenue | 529 | 123 | 217 | 596 | 2 | 1,467 |
| Net operating income/(loss) from ops | 86 | 15 | (22) | 85 | (10) | 154 |
| Finance income | | | | | | 7 |
| Other gains and losses | | | | | | 21 |
| Finance costs | | | | | | (25) |
| Income before taxes | | | | | | **158** |

# 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 year-on-year or with other businesses. The Group calculates Adjusted EBITDA as net income plus finance costs, taxation, depreciation, amortisation and mobilisation and adjusted to exclude finance income, other gains and losses and impairment charges or reversals. 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.

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# Reconciliation of Adjusted EBITDA

| Net operating income to Adjusted EBITDA<br>For the period (in $millions) | Three Months Ended 31 Mar 2014 | Three Months Ended 31 Mar 2013 |
|---|---|---|
| Net operating income | 166 | 154 |
| Depreciation, amortisation and mobilisation | 97 | 88 |
| Impairment | 1 | (1) |
| Adjusted EBITDA | 264 | 241 |
| Revenue | 1,668 | 1,467 |
| Adjusted EBITDA % | **15.8%** | **16.4%** |

| Net income to Adjusted EBITDA<br>For the period (in $millions) | Three Months Ended 31 Mar 2014 | Three Months Ended 31 Mar 2013 |
|---|---|---|
| Net income | 137 | 132 |
| Depreciation, amortisation and mobilisation | 97 | 88 |
| Impairment | 1 | (1) |
| Finance income | (4) | (7) |
| Other gains and losses | (8) | (22) |
| Finance costs | 5 | 25 |
| Taxation | 36 | 26 |
| Adjusted EBITDA | 264 | 241 |
| Revenue | 1,668 | 1,467 |
| Adjusted EBITDA % | **15.8%** | **16.4%** |

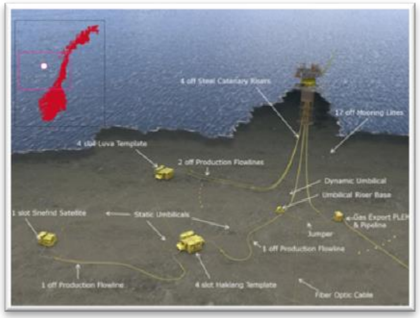
# Gorgon heavy lift and umbilicals - Australia

- Located 130km off the northwest coast of Western Australia
- The Gorgon project is one of the world's largest natural gas projects
- Heaviest and deepest subsea lifts in the history of Subsea 7
  - 20 subsea structures and foundations (up to circa 1,000Te), 15 heavy spools (up to circa 200Te), in water depths up to 1,300m
- Installation of the Gorgon (59km) and Jansz (136km) umbilicals

# CLOV Block 17 - Angola

- Technology-rich SURF project
- High local content with Sonamet fabrication facility
- Successful deployment of the *Seven Borealis* to install
  - 40km of pipe-in-pipe production, 60km of water injection, 32km of gas export, and 37 spools and 15 jumpers
- Two Hybrid Riser Towers and a Single Hybrid Riser at the end of the gas export line using proprietary bundle/riser technology

# Aasta Hansteen gas field - Norway




- Technology-rich SURF project
- 1,200m water depth, deepest in North Sea
- 300km off northern Norway, harsh environment
- First SCRs (x4) in the Norwegian Sea, manufactured at Vigra spoolbase
- First installation of BUTTING Bubi® mechanically lined pipe by reeling in the North Sea – using the *Seven Oceans*
- New permanent office set up in Tromsø, Northern Norway

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# Our operational facilities

## Spoolbases

*Luanda Spoolbase, Angola*

*Port Isabel Spoolbase, USA*

*Ubu Spoolbase, Brazil*

*Vigra Spoolbase, Norway*

*Wick Fabrication Site, UK*

*Leith Spoolbase, UK*

## Fabrication Yards

*Sonamet Lobito, Angola*

*Warri, Nigeria*

*NigerStar 7, Nigerdock, Nigeria*

# 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 Vessels

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]

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 the *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]

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

# Under construction

## Construction/Vertical Flex-lay Vessels

*Seven Arctic*

*Seven Waves*

*Seven Cruzeiro*

*Seven Rio*

*Seven Sun*

## Diving Support Vessel

*Seven Kestrel*

# Vessel Divestments from 2011 to the end of Q1 2014

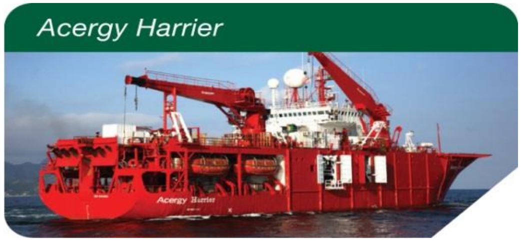
## Rigid Pipelay / Construction:


Jun 2011


Sep 2011


Jan 2013

## DSV:




Jan 2013

## Construction / Horizontal Flex-lay:


Aug 2013

## LOF / Light Construction:


Aug 2011


Feb 2013

# Terminated Long Term Vessel Charters from 2011 to the end of Q1 2014

DSV:


May 2011

LOF / Light Construction:


Dec 2012


Jan 2014


Jan 2014


Mar 2014

seabed-to-surface

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