# Subsea 7 S.A. Announces First Quarter 2015 Results

**Luxembourg – 29 April 2015** – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC) announced today results for the first quarter which ended on 31 March 2015. The Group's reporting segments are set out in Note 6 'Segment information'.

| | Three months ended | |
|---|---|---|
| For the period (in $ millions, except Adjusted EBITDA margin and per share data) | **31 Mar 2015 Unaudited** | 31 Mar 2014 Unaudited Re-presented[a] |
| Revenue | **1,181** | 1,668 |
| Adjusted EBITDA[b] | **281** | 264 |
| Adjusted EBITDA margin[b] | **24%** | 16% |
| Net operating income | **176** | 160 |
| Net income | **151** | 131 |
| Earnings per share – in $ per share[c] | | |
| Basic | **0.47** | 0.45 |
| Diluted | **0.44** | 0.41 |

| As at (in $ millions) | **31 Mar 2015 Unaudited** | 31 Dec 2014 Audited |
|---|---|---|
| Backlog[d] | **7,610** | 8,235 |
| Cash and cash equivalents | **373** | 573 |
| Borrowings | **662** | 578 |

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

(b) For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin please refer to Note 8 to the Condensed Consolidated Financial Statements.

(c) For explanation and a reconciliation of diluted earnings per share please refer to Note 7 'Earnings per share' to the Condensed Consolidated Financial Statements.

(d) Backlog at 31 March 2015 and 31 December 2014 is unaudited.

## Jean Cahuzac, Chief Executive Officer, said:

### First quarter 2015

'Subsea 7 has started the year well compared with the prior year quarter, with an increase in Adjusted EBITDA in the first quarter of 2015 despite the difficult market environment and decline in revenue. Operational performance has remained strong with good execution and cost control discipline. Vessel utilisation in the period was 68%, in line with the fourth quarter 2014. Adjusted EBITDA margin of 24% reflected increased contribution from projects nearing completion, including the Guará-Lula NE project in Brazil where there was a further $29 million reduction in the full-life project loss.

The continuation of challenging market conditions resulted in subdued order intake and order backlog declined to $7.6 billion by the period end which included an adverse foreign exchange impact of $0.4 billion. New orders and escalations totalled $1.0 billion and included the Persephone project for Woodside, offshore Australia, and the extension of two Life of Field contracts for Shell, offshore UK, both announced in the quarter. Unannounced order intake included fabrication work for Sonamet in Angola and an award for the i-Tech division, offshore Australia. Since the quarter end, a two-year PLSV contract has been awarded offshore Brazil for *Seven Seas*.

Net debt increased by $283 million from the 2014 year end position, reflecting the timing of payments for the new-build vessel programme and movements in working capital in the quarter, largely due to the normal phasing of project related cash receipts and payments.

### Operational highlights for the first quarter 2015

In the Northern Hemisphere and Life of Field Business Unit, the Knarr project offshore Norway was substantially completed. Significant progress was made on the Aasta Hansteen and Martin Linge projects offshore Norway and the Montrose project offshore UK. Life of Field activity was low, particularly in the North Sea, as clients, influenced by the low oil price, reduced offshore activity in the more operationally challenging winter months. i-Tech activity was steady in the quarter.

In the Southern Hemisphere and Global Projects Business Unit, significant progress was made on the Lianzi SURF, Lianzi Topside and Mafumeira Sul projects offshore Angola, the Erha North project offshore Nigeria, the TEN project offshore Ghana and the Gorgon Heavy Lift and Tie-ins project offshore Australia. Offshore Brazil, the Guará-Lula NE project progressed with the final commissioning stage and *Seven Oceans* and *Skandi Neptune* were redeployed. The vessels under long-term PLSV contracts with Petrobras recorded high levels of utilisation with a reduction in days spent in planned dry-dock compared to the prior quarter.

### Outlook

Contract awards to the market continue to be delayed, reflecting the low oil price environment and resultant capital expenditure reductions by oil companies. Subsea 7 is positioned competitively for the projects that are still expected to be awarded to the market in 2015. However, visibility on the timing of SURF awards remains low. Life of Field activity is expected to show a seasonal improvement in the second quarter. As guided previously, revenue is expected to be significantly lower in 2015 compared to the record level reported last year and Adjusted EBITDA margin is expected to decrease compared to 2014. Cost reduction measures to more closely align Subsea 7's cost base to current market conditions are making good progress and additional measures will be implemented in 2015.

The fundamental long-term outlook for deepwater subsea field developments remains intact despite the challenges facing the industry as a result of the lower oil price. Subsea 7 is a top tier service provider with a solid financial position, and is well placed to win and execute projects in a lower oil price environment.'

## Conference Call Details

### Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 29 April 2015

Time: 12:00 UK Time

Conference ID: 87507609#

| | Conference Dial In Numbers |
|---|---|
| United Kingdom | 0203 139 4830 |
| United States | 718 873 9077 |
| Norway | 2 350 0559 |
| International Dial In | +44 203 139 4830 |

### Replay Facility Details

A replay facility (with conference ID 656417#) will be available from:

Date: 29 April 2015
Time: 17:00 UK Time

| | Conference Replay Dial In Numbers |
|---|---|
| International Dial In | +44 203 426 2807 |

For further information, please contact:

Isabel Green
Investor Relations Director

email: isabel.green@subsea7.com
Telephone: +44 (0) 208 210 5568

## Special Note Regarding 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 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.

## Interim Management Report: Financial Review

Where appropriate certain comparatives have been re-presented to reflect the declassification of the Group's interest in Sonamet and Sonacergy from assets held for sale as explained in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements. The impact of this re-presentation was to reduce net income for Q1 2014 by $5 million and to reduce total equity at 31 March 2014 by $47 million.

### First Quarter 2015

#### Revenue

Revenue for the quarter was $1.2 billion, a decrease of $487 million compared with Q1 2014. The decrease reflected lower activity levels in both Business Units and was adversely impacted by the strengthening of the US dollar against major currencies during the quarter.

#### Adjusted EBITDA

Adjusted EBITDA for the quarter was $281 million, an increase of $18 million compared to Q1 2014. Adjusted EBITDA margin was 24%, compared with 16% in Q1 2014 which reflected improved margins in the Southern Hemisphere and Global Projects Business Unit as certain projects successfully completed their offshore phases.

#### Net operating income

Net operating income was $176 million, an increase of $16 million compared to Q1 2014. This increase was primarily due to:

- a reduction in the full-life project loss of $29 million on the Guará-Lula NE project;
- improved financial performance within the Mexican sector of the Gulf of Mexico in Q1 2015 compared to Q1 2014 where significant additional costs were recognised on the Line 60 and Line 67 projects;
- increased contribution from the Seaway Heavy Lifting joint venture due to higher activity levels during Q1 2015 compared to Q1 2014, which was adversely impacted by the dry-docking of *Stanislav Yudin*; and
- reduced administrative expenses driven largely by lower personnel costs

partially offset by:

- the lower vessel utilisation in Q1 2015 of 68% which reflected decreased Life of Field activity, mainly in the North Sea. This compared with 79% in Q1 2014 which was unseasonally high for a first quarter period.

#### Net income

Net income was $151 million in the quarter, compared to $131 million in Q1 2014. The improvement was primarily due to:

- the increase in net operating income; and
- foreign currency gains of $32 million in Q1 2015, recognised within other gains and losses, compared with foreign currency gains of $9 million in Q1 2014

partially offset by:

- an increase in the tax charge of $24 million compared to Q1 2014. The effective tax rate for Q1 2015 was 29% compared to 22% for Q1 2014, which benefitted from certain discrete items related to changes in prior year tax estimates.

#### Earnings per share

Diluted earnings per share was $0.44 in the quarter compared to $0.41 in Q1 2014, based on a weighted average number of shares of 348 million and 376 million respectively.

#### Cash and borrowings

Cash and cash equivalents at 31 March 2015 totalled $373 million compared with $573 million at 31 December 2014. Total borrowings at 31 March 2015 were $662 million, an increase of $83 million compared with 31 December 2014. During the quarter $80 million was drawn down from the Group's $500 million revolving credit facility to meet short-term operational funding requirements.

### Business Unit Highlights

### First Quarter 2015

#### Northern Hemisphere and Life of Field

Revenue was $562 million, a decrease of $104 million or 16% compared to Q1 2014. This reduction was largely due to decreased activity on the Delta S2 and Knarr projects, offshore Norway, and Laggan Tormore project, offshore UK, which were executing their offshore phases in Q1 2014. This was partially offset by increased activity in the US sector of the Gulf of Mexico, mainly related to the Heidelberg project.

During the quarter, the Knarr project, offshore Norway, was substantially completed. Work progressed during the quarter on the Aasta Hansteen and Martin Linge projects, offshore Norway, on the Montrose, Western Isles, Catcher and Sadie projects, offshore UK and on the Heidelberg project in the US Gulf of Mexico. Life of Field activity levels diminished in the quarter as clients reduced offshore activity, particularly in the North Sea where winter months are more operationally challenging.

Net operating income was $48 million, an increase of $24 million or 98% compared to Q1 2014, which was adversely impacted by additional costs recognised in relation to the Pemex Line 60 and Line 67 projects. Lower vessel utilisation in Q1 2015 compared with Q1 2014 negatively impacted net operating income.

#### Southern Hemisphere and Global Projects

Revenue was $617 million, a decrease of $379 million or 38% compared to Q1 2014. Revenue decreased due to the relative stage of completion of the CLOV, Gorgon HLTI, Block 31 GES and Guará Lula NE projects which were all in their offshore phases in Q1 2014.

During Q1 2015 there was significant progress on the Lianzi SURF, Lianzi Topside and Mafumeira Sul projects, offshore Angola; the Erha North project, offshore Nigeria; the T.E.N. project, offshore Ghana, and the Gorgon Heavy Lift and Tie-ins project, offshore

Australia. In Brazil, the final commissioning phase of the Guará-Lula NE project was substantially completed and there were high levels of vessel activity under the long-term PLSV contracts with Petrobras throughout the quarter.

Net operating income was $118 million, a decrease of $34 million or 22% compared to Q1 2014. This reflected the decrease in activity levels and was partially offset by a reduction in the Guará-Lula NE full-life project loss of $29 million reflecting a further de-risking of the project.

### Corporate

Net operating income was $10 million (Q1 2014: $16 million loss) primarily driven by an increased contribution from the Seaway Heavy Lifting joint venture due to higher activity levels during Q1 2015 compared to Q1 2014, which was adversely impacted by the dry-docking of *Stanislav Yudin*.

## Asset Development and Activities – First Quarter 2015

### Fleet Utilisation

Vessel utilisation during the first quarter was 68% compared with 79% in Q1 2014, this reduction reflected lower utilisation of vessels in the North Sea as clients, influenced by the lower oil price levels, reduced offshore activity during the winter months.

### New-build vessel programme

Construction continued on:

- *Seven Arctic,* a heavy construction vessel, due to commence operations in the first half of 2016;
- three PLSVs, *Seven Rio*, *Seven Sun* and *Seven Cruzeiro*, linked to long-term contracts awarded by Petrobras, expected to commence operations at six monthly intervals between the fourth quarter 2015 and the fourth quarter 2016; and
- *Seven Kestrel,* a diving support vessel mainly for operation in the North Sea, due to commence operations in early 2016.

Actual and forecast expenditure on the Group's new-build vessel programme as at 31 March 2015 was:

| | Actual expenditure | | | | Forecast expenditure | |
|---|---|---|---|---|---|---|
| (in $ millions) | 2012 | 2013 | 2014 | Q1 2015 | Q2-Q4 2015 | 2016 |
| Total | 185 | 372 | 544 | 139 | 561 | 170 |

Actual and forecast expenditures include an estimate of capitalised interest during construction as part of the initial cost of the vessels.

## Backlog

Backlog was $7.6 billion at 31 March 2015, a decrease of $0.6 billion compared with 31 December 2014. New awards and project escalations amounting to $1.0 billion were recorded in the quarter. Major awards included an extension to the Underwater Services Contracts for Shell, offshore UK, the Block 15-06 FPSO and Kaombo related fabrication contracts for Bumi Armada and Aker Solutions respectively, in Angola, the Persephone project for Woodside, offshore Australia, and the Viper Kobra Development Project for Det Norske Oljeselskap, offshore Norway.

During the quarter backlog was adversely impacted by foreign exchange movements of $0.4 billion, mainly related to contracts denominated in Brazilian Reais, Norwegian Kroner and British Pounds. These currencies weakened relative to the US Dollar during the quarter.

$5.6 billion of the backlog at 31 March 2015 related to SURF activity, which included $2.5 billion for the long-term PLSV contracts in Brazil, $1.5 billion related to Life of Field and i-Tech and $0.5 billion related to Conventional and Hook-up. $3.1 billion of this backlog is expected to be executed in 2015, $2.0 billion in 2016 and $2.5 billion in 2017 and thereafter. Backlog related to associates and joint ventures is excluded from these figures.

## Subsea 7 S.A.
## Condensed Consolidated Income Statement

| (in $ millions) | Three Months Ended 31 Mar 2015 Unaudited | Three Months Ended 31 Mar 2014 Unaudited Re-presented[(a)] |
|---|---|---|
| Revenue | **1,181.3** | 1,668.0 |
| Operating expenses | **(949.5)** | (1,442.5) |
| **Gross profit** | **231.8** | 225.5 |
| Administrative expenses | **(70.4)** | (80.8) |
| Share of net income of associates and joint ventures | **14.9** | 15.7 |
| **Net operating income** | **176.3** | 160.4 |
| Finance income | **3.4** | 4.1 |
| Other gains and losses | **32.6** | 8.5 |
| Finance costs | **(1.2)** | (5.2) |
| **Income before taxes** | **211.1** | 167.8 |
| Taxation | **(60.4)** | (36.4) |
| **Net income** | **150.7** | 131.4 |
| | | |
| **Net income attributable to:** | | |
| Shareholders of the parent company | **153.1** | 150.2 |
| Non-controlling interests | **(2.4)** | (18.8) |
| | **150.7** | 131.4 |

| Earnings per share | **$ per share** | $ per share Re-presented[(a)] |
|---|---|---|
| Basic | **0.47** | 0.45 |
| Diluted | **0.44** | 0.41 |

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

## Subsea 7 S.A.
## Condensed Consolidated Statement of Comprehensive Income

| (in $ millions) | Three months ended 31 Mar 2015 Unaudited | 31 Mar 2014 Unaudited Re-presented[(a)] |
|---|---|---|
| **Net income** | **150.7** | 131.4 |
| **Other comprehensive income** | | |
| *Items that may be reclassified to the income statement in subsequent periods:* | | |
| Foreign currency translation | **(159.5)** | 48.2 |
| Cash flow hedges: | | |
| Net fair value (losses)/gains arising | **(15.0)** | 2.1 |
| Reclassification adjustments for amounts recognised in the Consolidated Income Statement | **1.0** | (1.6) |
| Adjustments for amounts transferred to the initial carrying amounts of hedged items | **–** | 0.2 |
| Share of other comprehensive income of associates and joint ventures | **2.5** | 1.0 |
| Tax related to components of other comprehensive income which may be reclassified | **13.9** | (3.8) |
| **Other comprehensive (loss)/income** | **(157.1)** | 46.1 |
| **Total comprehensive (loss)/income** | **(6.4)** | 177.5 |
| | | |
| **Total comprehensive (loss)/income attributable to:** | | |
| Shareholders of the parent company | **(6.0)** | 196.2 |
| Non-controlling interests | **(0.4)** | (18.7) |
| | **(6.4)** | 177.5 |

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 ‘Assets classified as held for sale’ to the 2014 Consolidated Financial Statements.

## Subsea 7 S.A.
### Condensed Consolidated Balance Sheet

| As at (in $ millions) | **31 Mar 2015 Unaudited** | 31 Dec 2014 Audited |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Goodwill | **1,288.5** | 1,322.3 |
| Intangible assets | **18.6** | 21.2 |
| Property, plant and equipment | **4,576.1** | 4,565.0 |
| Interest in associates and joint ventures | **373.8** | 373.8 |
| Advances and receivables | **118.9** | 128.3 |
| Derivative financial instruments | **2.8** | 3.8 |
| Deferred tax assets | **46.4** | 48.2 |
| | **6,425.1** | 6,462.6 |
| **Current assets** | | |
| Inventories | **58.9** | 59.1 |
| Trade and other receivables | **907.9** | 840.4 |
| Derivative financial instruments | **26.2** | 28.0 |
| Construction contracts – assets | **331.8** | 378.4 |
| Other accrued income and prepaid expenses | **262.0** | 283.3 |
| Cash and cash equivalents | **373.1** | 572.6 |
| | **1,959.9** | 2,161.8 |
| **Total assets** | **8,385.0** | 8,624.4 |
| **Equity** | | |
| Issued share capital | **664.3** | 664.3 |
| Treasury shares | **(81.6)** | (75.2) |
| Paid in surplus | **3,257.1** | 3,255.5 |
| Equity reserve | **71.2** | 71.2 |
| Translation reserve | **(395.5)** | (242.6) |
| Other reserves | **(80.0)** | (73.8) |
| Retained earnings | **2,140.6** | 1,987.5 |
| **Equity attributable to shareholders of the parent company** | **5,576.1** | 5,586.9 |
| Non-controlling interests | **(25.6)** | (25.2) |
| **Total equity** | **5,550.5** | 5,561.7 |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Non-current portion of borrowings | **580.3** | 576.2 |
| Retirement benefit obligations | **18.4** | 21.3 |
| Deferred tax liabilities | **108.3** | 117.1 |
| Provisions | **30.4** | 30.3 |
| Contingent liability recognised | **5.0** | 6.0 |
| Derivative financial instruments | **14.7** | 15.3 |
| Other non-current liabilities | **82.8** | 93.3 |
| | **839.9** | 859.5 |
| **Current liabilities** | | |
| Trade and other liabilities | **1,452.1** | 1,674.1 |
| Derivative financial instruments | **24.7** | 25.1 |
| Current tax liabilities | **65.4** | 45.8 |
| Current portion of borrowings | **81.2** | 1.9 |
| Provisions | **17.9** | 28.9 |
| Construction contracts – liabilities | **352.0** | 425.7 |
| Deferred revenue | **1.3** | 1.7 |
| | **1,994.6** | 2,203.2 |
| **Total liabilities** | **2,834.5** | 3,062.7 |
| **Total equity and liabilities** | **8,385.0** | 8,624.4 |

**Subsea 7 S.A.**

## Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2015

| (in $ millions,) | Issued share capital | Treasury shares | Paid in surplus | Equity reserves | Translation reserve | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2015** | **664.3** | **(75.2)** | **3,255.5** | **71.2** | **(242.6)** | **(73.8)** | **1,987.5** | **5,586.9** | **(25.2)** | **5,561.7** |
| **Comprehensive income/(loss)** | | | | | | | | | | |
| Net income/(loss) | – | – | – | – | – | – | 153.1 | 153.1 | (2.4) | 150.7 |
| Foreign currency translation | – | – | – | – | (161.5) | – | – | (161.5) | 2.0 | (159.5) |
| Cash flow hedges | – | – | – | – | – | (14.0) | – | (14.0) | – | (14.0) |
| Share of other comprehensive income of associates and joint ventures | – | – | – | – | – | 2.5 | – | 2.5 | – | 2.5 |
| Tax relating to components of other comprehensive income | – | – | – | – | 8.6 | 5.3 | – | 13.9 | – | 13.9 |
| **Total comprehensive (loss)/income** | **–** | **–** | **–** | **–** | **(152.9)** | **(6.2)** | **153.1** | **(6.0)** | **(0.4)** | **(6.4)** |
| **Transactions with owners** | | | | | | | | | | |
| Shares repurchased | – | (6.4) | – | – | – | – | – | (6.4) | – | (6.4) |
| Share-based compensation | – | – | 1.6 | – | – | – | – | 1.6 | – | 1.6 |
| **Total transactions with owners** | **–** | **(6.4)** | **1.6** | **–** | **–** | **–** | **–** | **(4.8)** | **–** | **(4.8)** |
| **Balance at 31 March 2015** | **664.3** | **(81.6)** | **3,257.1** | **71.2** | **(395.5)** | **(80.0)** | **2,140.6** | **5,576.1** | **(25.6)** | **5,550.5** |

For the three months ended 31 March 2014

| (in $ millions) | Issued share capital | Treasury shares | Paid in surplus | Equity reserves | Translation reserve | Other reserve | Retained earnings Re-presented[a] | Total Re-presented[a] | Non-controlling interests Re-presented[a] | Total equity Re-presented[a] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | **703.6** | **(356.9)** | **3,841.6** | **248.5** | **31.9** | **(59.5)** | **2,142.4** | **6,551.6** | **19.5** | **6,571.1** |
| **Comprehensive income/(loss)** | | | | | | | | | | |
| Net income/(loss) | – | – | – | – | – | – | 150.2 | 150.2 | (18.8) | 131.4 |
| Foreign currency translation | – | – | – | – | 48.1 | – | – | 48.1 | 0.1 | 48.2 |
| Cash flow hedges | – | – | – | – | – | 0.7 | – | 0.7 | – | 0.7 |
| Share of other comprehensive income of associates and joint ventures | – | – | – | – | – | 1.0 | – | 1.0 | – | 1.0 |
| Tax relating to components of other comprehensive income | – | – | – | – | (3.6) | (0.2) | – | (3.8) | – | (3.8) |
| **Total comprehensive income/(loss)** | **–** | **–** | **–** | **–** | **44.5** | **1.5** | **150.2** | **196.2** | **(18.7)** | **177.5** |
| **Transactions with owners** | | | | | | | | | | |
| Shares repurchased | – | (64.7) | – | – | – | – | – | (64.7) | – | (64.7) |
| Dividends declared | – | – | – | – | – | – | – | – | (4.3) | (4.3) |
| Share-based compensation | – | – | 2.3 | – | – | – | – | 2.3 | – | 2.3 |
| **Total transactions with owners** | **–** | **(64.7)** | **2.3** | **–** | **–** | **–** | **–** | **(62.4)** | **(4.3)** | **(66.7)** |
| **Balance at 31 March 2014** | **703.6** | **(421.6)** | **3,843.9** | **248.5** | **76.4** | **(58.0)** | **2,292.6** | **6,685.4** | **(3.5)** | **6,681.9** |

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

## Subsea 7 S.A.
## Condensed Consolidated Cash Flow Statement

| (in $ millions) | Three months ended<br>31 Mar 2015<br>Unaudited | <br>31 Mar 2014<br>Unaudited<br>Re-presented[(a)] |
|---|---|---|
| **Net cash (used in)/generated from operating activities** | **(77.5)** | 265.9 |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | **(197.6)** | (296.7) |
| Purchase of intangible assets | **(0.1)** | – |
| Proceeds from disposal of property, plant and equipment | **0.2** | – |
| Interest received | **3.4** | 4.1 |
| Dividends received from associates and joint ventures | **12.5** | 12.5 |
| Proceeds from loans to associates and joint ventures | **3.4** | – |
| **Net cash used in investing activities** | **(178.2)** | (280.1) |
| **Cash flows from financing activities** | | |
| Interest paid | **(4.7)** | (1.9) |
| Proceeds from borrowings | **80.0** | – |
| Shares repurchased | **(4.9)** | (70.9) |
| **Net cash generated from/(used in) financing activities** | **70.4** | (72.8) |
| Net decrease in cash and cash equivalents | **(185.3)** | (87.0) |
| Cash and cash equivalents at beginning of period | **572.6** | 691.5 |
| Effect of foreign exchange rate movements on cash and cash equivalents | **(14.2)** | (1.0) |
| **Cash and cash equivalents at end of period** | **373.1** | 603.5 |

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

## 1. General information

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and over-the-counter as American Depositary Receipts (ADRs) in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg. The Condensed Consolidated Financial Statements were authorised for issue by the board of directors on 28 April 2015.

## 2. Basis of preparation

The Condensed Consolidated Financial Statements for the period 1 January 2015 to 31 March 2015 for Subsea 7 S.A. have been prepared on a going concern basis and in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU).

The Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Certain comparative information has been re-presented due to the declassification of investments in Sonamet and Sonacergy as assets held for sale as detailed in Note 21 'Assets classified as held for sale' to the 2014 Consolidated Financial Statements.

The Condensed Consolidated Financial Statements are unaudited.

## 3. Accounting policies

### Basis of accounting

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the year ended 31 December 2014.

No new or amended International Financial Reporting Standards (IFRS) and interpretations have been adopted by the Group for the financial year beginning on 1 January 2015.

## 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in the Consolidated Financial Statements for the year ended 31 December 2014, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Management makes accounting judgements on the following aspects of the business as described in full in the audited Consolidated Financial Statements for the year ended 31 December 2014:

- Revenue recognition on long-term contracts
- Revenue recognition on variation orders and claims
- Goodwill carrying value
- Property, plant and equipment
- Recognition of provisions and disclosure of contingent liabilities
- Taxation

## 5. Seasonality

A significant portion of the Group's revenue is generated from work performed offshore. During certain periods of the year, the Group may be affected by adverse weather conditions such as hurricanes or tropical storms which may cause delays. Periods of adverse weather conditions usually result in low levels of activity.

## 6. Segment information

With effect from 1 January 2015 the Group implemented a new organisational structure. The new organisational and segmental structure comprises two Business Units, which replace four geographical Territories, and a Corporate segment.

The Corporate segment includes all activities that serve both Business Units. All onshore and offshore assets are allocated between the two Business Units. Reporting segments are defined below:

### Northern Hemisphere and Life of Field

The Northern Hemisphere and Life of Field Business Unit includes activities in UK, Canada, Norway and the Gulf of Mexico together with the i-Tech division and Life of Field business line. It also includes spoolbases in Vigra, Norway and Leith, Scotland and a fabrication yard in Wick, Scotland. This segment also includes the Normand Oceanic and Eidesvik Seven joint ventures.

### Southern Hemisphere and Global Projects

The Southern Hemisphere and Global Projects Business Unit includes activities in Africa, Asia Pacific & Middle East, Brazil and Global Projects teams. It also includes fabrication yards in Warri, Nigeria; Lobito, Angola and Port Gentil, Gabon and spoolbases in Luanda, Angola and Port Isabel, US. This segment also includes the SapuraAcergy and Subsea 7 Malaysia joint ventures.

### Corporate

This segment includes all activities that serve both Business Units and includes: management of offshore resources; captive insurance activities and management and corporate services. It also includes the results of the Seaway Heavy Lifting joint venture.

## 6. Segment information *continued*

Summarised financial information concerning each reportable geographical reporting segment was as follows:

### For the three months ended 31 March 2015

| (in $ millions) Unaudited | Northern Hemisphere and Life of Field | Southern Hemisphere and Global Projects | Corporate | Total |
|---|---|---|---|---|
| Revenue | **562.0** | **617.1** | **2.2** | **1,181.3** |
| Net operating income | **47.9** | **118.2** | **10.2** | **176.3** |
| Finance income | | | | **3.4** |
| Other gains and losses | | | | **32.6** |
| Finance costs | | | | **(1.2)** |
| Income before taxes | | | | **211.1** |

### For the three months ended 31 March 2014

| (in $ millions) Unaudited | Northern Hemisphere and Life of Field | Southern Hemisphere and Global Projects | Corporate | Total Re-presented |
|---|---|---|---|---|
| Revenue | 666.3 | 996.3 | 5.4 | 1,668.0 |
| Net operating income/(loss) | 24.2 | 152.5 | (16.3) | 160.4 |
| Finance income | | | | 4.1 |
| Other gains and losses | | | | 8.5 |
| Finance costs | | | | (5.2) |
| Income before taxes | | | | 167.8 |

## 7. Earnings per share

### Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the parent company by the weighted average number of common shares in issue during the period, excluding common shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

The income and share data used in the calculation of basic and diluted earnings per share were as follows:

| | Three Months Ended | |
|---|---|---|
| For the period (in $ millions) | **31 Mar 2015 Unaudited** | 31 Mar 2014 Unaudited Re-presented |
| Net income attributable to shareholders of the parent company | **153.1** | 150.2 |
| Interest on convertible bonds (net of amounts capitalised) | **–** | 3.3 |
| **Earnings used in the calculation of diluted earnings per share** | **153.1** | 153.5 |

| | Three Months Ended | |
|---|---|---|
| For the period (number of shares) | **31 Mar 2015 Unaudited** | 31 Mar 2014 Unaudited |
| Weighted average number of common shares used in the calculation of basic earnings per share | **326,291,148** | 334,096,205 |
| Convertible bonds | **21,775,273** | 41,265,693 |
| Share options, performance shares and restricted shares | **301,270** | 656,119 |
| **Weighted average number of common shares used in the calculation of diluted earnings per share** | **348,367,691** | 376,018,017 |

| | Three Months Ended | |
|---|---|---|
| For the period (in $ per share) | **31 Mar 2015 Unaudited** | 31 Mar 2014 Unaudited Re-presented |
| Basic earnings per share | **0.47** | 0.45 |
| Diluted earnings per share | **0.44** | 0.41 |

The following shares that could potentially dilute the earnings per share were excluded from the calculation of diluted earnings per share due to being anti-dilutive for the period:

| | Three Months Ended | |
|---|---|---|
| For the period (number of shares) | **31 Mar 2015 Unaudited** | 31 Mar 2014 Unaudited |
| Share options, performance shares and restricted shares | **1,819,755** | 2,411,829 |

## 8. Adjusted EBITDA and Adjusted EBITDA margin

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. We define 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. We define our Adjusted EBITDA margin as Adjusted EBITDA divided by revenue.

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 adopted by 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 Business Units, 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 net operating income to Adjusted EBITDA and Adjusted EBITDA margin:

| | Three Months Ended | |
|---|---|---|
| For the period (in $ millions) | **31 Mar 2015 Unaudited** | 31 Mar 2014 Unaudited Re-presented |
| Net operating income | **176.3** | 160.4 |
| Depreciation, amortisation and mobilisation | **102.0** | 103.4 |
| Impairment of property, plant and equipment | **3.1** | – |
| Adjusted EBITDA | **281.4** | 263.8 |
| Revenue | **1,181.3** | 1,668.0 |
| Adjusted EBITDA margin | **23.8%** | 15.8% |

Reconciliation of net income to Adjusted EBITDA and Adjusted EBITDA margin:

| | Three Months Ended | |
|---|---|---|
| For the period (in $ millions) | **31 Mar 2015 Unaudited** | 31 Mar 2014 Unaudited Re-presented |
| Net income | **150.7** | 131.4 |
| Depreciation, amortisation and mobilisation | **102.0** | 103.4 |
| Impairment of property, plant & equipment | **3.1** | – |
| Finance income | **(3.4)** | (4.1) |
| Other gains and losses | **(32.6)** | (8.5) |
| Finance costs | **1.2** | 5.2 |
| Taxation | **60.4** | 36.4 |
| Adjusted EBITDA | **281.4** | 263.8 |
| Revenue | **1,181.3** | 1,668.0 |
| Adjusted EBITDA margin | **23.8%** | 15.8% |

## 9. Goodwill

The movement in goodwill during the period was as follows:

| | Three Months Ended | |
|---|---|---|
| (in $ millions) | **31 Mar 2015 Unaudited** | 31 Mar 2014 Unaudited |
| At period beginning | **1,322.3** | 2,584.6 |
| Exchange differences | **(33.8)** | 24.3 |
| **At period end** | **1,288.5** | 2,608.9 |

### 10. Property, plant and equipment
Significant additions to property, plant and equipment for the quarter ended 31 March 2015 included $138.6 million expenditure related to the new-build vessel programme. This included the following significant additions:

- $82.2million expenditure on the heavy construction vessel, *Seven Arctic*
- $38.2 million expenditure on the diving support vessel, *Seven Kestrel*

### 11. Share repurchase programme
During the quarter the Group continued with its $200 million share repurchase programme initiated in July 2014, and repurchased 690,478 shares for a total consideration of $6.4 million. As at 31 March 2015, the Group had repurchased a cumulative 5,147,556 shares for a total consideration of $56.0 million under the July 2014 programme.

### 12. Treasury shares
At 31 March 2015, the Group directly held 4,709,856 common shares as treasury shares, representing 1.4% (Q1 2014: 5.1%) of the total number of issued shares. These shares were owned as treasury shares through Subsea 7 S.A.'s indirect subsidiary Subsea 7 Investing (Bermuda) Limited. A further 1,526,200 (Q1 2014: 1,526,200) common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 253,482 (Q1 2014: 682,667) shares were held in a separate employee benefit trust to support specified share option awards.

### 13. Commitments and contingent liabilities
#### Commitments
As at 31 March 2015, the significant capital commitments that the Group had entered into were:

- contracts totalling $389.1 million relating to three new-build PLSV's, *Seven Rio*, *Seven Sun* and *Seven Cruzeiro*. The vessels are due to commence operations in late 2015 and during 2016;
- contracts totalling $99.4 million relating to the new-build heavy construction vessel, *Seven Arctic*. The vessel is due to commence operations in 2016; and
- contracts totalling $18.1 million relating to the diving support vessel, *Seven Kestrel*. The vessel is due to commence operations in early 2016.

#### Contingent liabilities
Between 2009 and 2014, the Group's Brazilian businesses were audited and formally assessed for a state tax (ICMS) and federal taxes by the Brazilian State and Federal tax authorities. The amount assessed including penalties and interest as at 31 March 2015 amounted to BRL 701.9 million ($220.4 million). At 31 December 2014 the amount assessed including penalties and interest amounted to BRL 677.9 million ($267.8 million). The Group continues to believe that the prospect of any payment is possible but not probable and, other than as required by IFRS 3 'Business Combinations', no provision has been recognised.

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 'Business Combinations' required the Group to recognise as a provision, as of the acquisition date, the fair value of contingent liabilities assumed if there was a present obligation that arose from past events, even where payment was not probable. The value of the provision recognised within the Consolidated Balance Sheet at 31 March 2015 was $6.0 million (31 December 2014: $6.0 million). Despite the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

## 14. Cash flow from operating activities

| For the period ended (in $ millions) | Three Months Ended 31 Mar 2015 Unaudited | Three Months Ended 31 Mar 2014 Unaudited Re-presented |
|---|---|---|
| **Cash flow from operating activities:** | | |
| Income before taxes | **211.1** | 167.8 |
| Adjustments for non-cash items: | | |
| Depreciation of property, plant and equipment | **95.2** | 97.1 |
| Net impairment of property, plant and equipment | **3.1** | – |
| Amortisation of intangible assets | **1.7** | 2.8 |
| Mobilisation costs | **5.1** | 3.5 |
| Adjustments for investing and financing items: | | |
| Share in net income of associates and joint ventures | **(14.9)** | (15.7) |
| Finance income | **(3.4)** | (4.1) |
| (Gain)/loss on disposal of property, plant and equipment | **(0.1)** | 0.8 |
| Finance costs | **1.2** | 5.2 |
| Adjustments for equity items: | | |
| Share-based payments | **1.6** | 2.3 |
| | **300.6** | 259.7 |
| **Changes in operating assets and liabilities:** | | |
| Increase in inventories | **(1.7)** | (4.9) |
| (Increase)/decrease in operating receivables | **(192.3)** | 10.9 |
| (Decrease)/increase in operating liabilities | **(153.5)** | 72.7 |
| | **(347.5)** | 78.7 |
| Income taxes paid | **(30.6)** | (72.5) |
| **Net cash (used in)/generated from operating activities** | **(77.5)** | 265.9 |

## 15. Fair value and financial instruments

Except as detailed in the following table, the carrying value of the Group's financial assets and financial liabilities recorded at amortised cost in the Condensed Consolidated Financial Statements approximate their fair values:

| As at (in $ millions) | 31 Mar 2015 Carrying amount Unaudited | 31 Mar 2015 Fair value Unaudited | 31 Dec 2014 Carrying amount Audited | 31 Dec 2014 Fair value Audited |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Borrowings – convertible bonds – Level 2 | **(580.3)** | **(571.6)** | (576.2) | (565.5) |

### Borrowings – convertible bonds

The fair value of the liability components of convertible bonds is determined by matching the maturity profile of the bonds to market interest rates available to the Group. At the balance sheet date the interest rate available was 4.5% (31 December 2014: 4.5%).

### Fair value measurements

#### Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

#### Recurring and non-recurring fair value measurements

Recurring fair value measurements are those that IFRSs require at the end of each reporting period and non-recurring fair value measurements are those that IFRSs require or permit in particular circumstances.

### 15. Fair value and financial instruments *continued*

Assets and liabilities which are measured at fair value in the Condensed Consolidated Balance Sheet and their level of the fair value hierarchy were as follows:

| As at (in $ millions) | **31 Mar 2015 Level 2 Unaudited** | **31 Mar 2015 Level 3 Unaudited** | 31 Dec 2014 Level 2 Audited | 31 Dec 2014 Level 3 Audited |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss - derivative instruments | **26.8** | **–** | 28.1 | – |
| Derivative instruments in designated hedge accounting relationships | **2.2** | **–** | 3.7 | – |
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss - derivative instruments | **(38.6)** | **–** | (35.5) | – |
| Derivative instruments in designated hedge accounting relationships | **(0.8)** | **–** | (4.9) | – |

During the quarter ended 31 March 2015 there were no transfers between levels of the fair value hierarchy. The Group accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstance that caused the transfer.

#### Fair value techniques and inputs

Financial assets and liabilities at fair value through profit or loss

The Group's financial assets and liabilities fair value through profit or loss comprised:

- Forward foreign exchange contracts
  The fair value of outstanding forward foreign exchange contracts was calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.
- Interest rate swap
  The fair value of the Group's interest rate swap was calculated using quoted 3 month US Dollar LIBOR rates. At the balance sheet date the three month US Dollar LIBOR rate was 0.27%.

### 16. Multi-currency revolving credit facility

The $500 million facility

During the quarter the Group drew down $80 million under its $500 million multi-currency revolving credit and guarantee facility. The proceeds of the drawdown were utilised to meet short-term operational funding requirements. As at 31 March 2015, $420 million of this facility remained undrawn.

### 17. Post balance sheet events

Share repurchase plan

Between 1 April 2015 and 28 April 2015, the Group repurchased a further 125,100 common shares for a total consideration of $1.2 million as part of the share repurchase programme announced in July 2014.

Annual General Meeting

The Annual General Meeting of shareholders of Subsea 7 S.A. took place on 17 April 2015. All resolutions were approved by shareholders.

Extraordinary General Meeting

An Extraordinary General Meeting of shareholders of Subsea 7 S.A. took place on 17 April 2015. The sole resolution in relation to the renewal and extension of the authorised share capital of the Company to $900 million, represented by 450 million common shares with par value of $2.00 per share, and the delegation of authority to the board of directors to issue shares was approved by shareholders.