Subsea 7 S.A. Announces First Quarter 2018 Results

Luxembourg – 26 April 2018 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC, ADR: SUBCY, ISIN: LU0075646355) announced today results for the first quarter which ended 31 March 2018.

First Quarter highlights

- Adjusted EBITDA of $103 million, at a margin of 13%, included a seasonal reduction in offshore activity levels
- New awards and escalations totalled $829 million, raising order backlog to $5.3 billion, as tendering activity continued to gradually increase
- Joint venture proposed with Schlumberger for integrated SPS and SURF solutions and combined Life of Field services
- Targeted investments to enhance early engineering capability with the acquisition of a strategic interest in Xodus Group, and widen renewables capability with the agreement to acquire a cable-laying company and two vessels
- Strong financial and liquidity position maintained with net cash of $730 million at 31 March 2018, and $656 million unutilised credit facilities

	Three Months Ended	
For the period (in $ millions, except Adjusted EBITDA margin and per share data)	**31 Mar 2018 Unaudited**	31 Mar 2017 Unaudited
Revenue	**809**	897
Adjusted EBITDA[(a)] (unaudited)	**103**	268
Adjusted EBITDA margin[(a)] (unaudited)	**13%**	30%
Net operating (loss)/income	**(8)**	169
Net (loss)/income	**(18)**	146
Earnings per share – in $ per share		
Basic	**(0.03)**	0.43
Diluted[(b)]	**(0.03)**	0.41
As at (in $ millions)	**31 Mar 2018 Unaudited**	31 Dec 2017 Audited
Backlog[(c)]	**5,339**	5,208
Cash and cash equivalents	**1,007**	1,109
Borrowings	**277**	283

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

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

(c) Backlog at 31 March 2018 and 31 December 2017 is unaudited and is a non-IFRS measure.

Jean Cahuzac, Chief Executive Officer, said:

'Market activity maintained momentum this quarter with several awards to market. Our differentiated offering, strong client relationships and early engagement capability helped us to grow order backlog. Our strategic focus on extending our global presence was affirmed with the first contract awarded to Subsea 7 under the acquired long-term agreement (LTA) with Saudi Aramco, offshore Saudi Arabia, and a new Life of Field contract in the Caspian Sea.

Vessel utilisation and offshore activity in the quarter was low, reflecting the seasonality of operations in the North Sea and the impact of fewer large projects. Our engineering, procurement and fabrication activities progressed well in preparation for offshore installation campaigns in the summer months. Adjusted EBITDA margin fell to 13%, despite continued operational excellence and cost discipline. Our full year guidance for revenue as broadly in line and adjusted EBITDA percentage margin as significantly lower compared to 2017, remains unchanged.

The oil price downturn has stimulated industrywide innovation and partnerships as well as counter-cyclical investments in technology. Following on from strategic actions in 2017, we have made targeted investments in renewables and early engineering during the first quarter and affirmed our commitment to integrated SPS and SURF solutions with the announcement that we will form a joint venture with Schlumberger.'

Operational highlights

SURF and Conventional projects progressed well and the six active PLSVs offshore Brazil achieved high levels of utilisation. Offshore Egypt, the Atoll project was completed and the West Nile Delta Phase Two project started pipelay operations late in the quarter with *Seven Borealis* and prepared for umbilical installation. In Australia, fabrication activity continued on the Sole project and in the US Gulf of Mexico the TVEX project was substantially completed. In the North Sea, the seasonally more challenging operating conditions resulted in lower levels of offshore activity. The Oda project progressed with pipeline fabrication at the Vigra spoolbase in Norway and on the Aasta Hansteen project preparations were made for the topside tow-out and connection.

i-Tech Services was awarded a long-term Inspection, Repair and Maintenance (IRM) contract, offshore Azerbaijan, on which activity commenced late in March.

The Beatrice wind farm project, offshore UK, continued to fabricate and install foundation jackets, with installation expected to accelerate in the second quater. The second offshore campaign for cable-lay operations commenced in March and the project remains on schedule for completion later this year. The Borkum II project for wind farm foundations, offshore Germany, progressed with engineering and procurement.

Active vessel utilisation was 58% in the first quarter and total vessel utilisation was 52%. Four vessels have left the fleet in the quarter, with the chartered vessel *Lewek Constellation* returned to its owner at the end of its operations on the TVEX and OCTP projects, and three older owned vessels, *Seven Condor, Rockwater 1* and *Seven Osprey* were released for recycling. One chartered Life of Field vessel was added to the fleet for IRM activity, offshore Azerbaijan.

Financial highlights

First quarter revenue of $809 million and Adjusted EBITDA of $103 million resulted in an Adjusted EBITDA margin of 13%. The lower revenue and Adjusted EBITDA compared to the prior year reflected deterioration in activity levels due to seasonality of northern hemisphere operations and fewer large projects progressing with offshore campaigns. Net loss of $18 million included net foreign currency losses of $22 million, recognised within other gains and losses, and a tax credit of $12 million. Diluted loss per share was 3 cents.

Cash and cash equivalents was $1,007 million at 31 March 2018 and net cash was $730 million. Cash generated from operating activities of $6 million included a $60 million decrease in net operating liabilities. In April, after the end of the first quarter, the Group completed the acquisition of Siem Offshore Contractors and two related vessels, resulting in a cash outflow of approximately $170 million. 675,000 shares were repurchased for an approximate value of $8 milion. The special dividend of NOK 5.00 per share was approved at the AGM in April and will be paid in May.

Order intake and contract awards

At 31 March 2018, order backlog of $5.3 billion included new awards and escalations totalling $829 million, resulting in a book-to-bill ratio of 1.0. Announced awards in the first quarter comprised the Nova and Johan Castberg projects, offshore Norway, a long-term IRM contract offshore Azerbaijan and the 3PDMs project offshore Saudi Arabia. The two project awards announced in April, the Alligin project offshore UK and the PUPP project offshore Nigeria, have not been included in backlog at 31 March 2018.

Outlook

Subsea 7 guidance for the full year includes the consolidation of the results of Siem Offshore Contractors from 10 April 2018. Revenue for 2018 is still expected to be in line with 2017 and Adjusted EBITDA percentage margin is still expected to be significantly lower.

The oil and gas cycle is gradually recovering from the very low levels of activity experienced in the last three years and awards to market are increasing, however pricing remains challenging in the near term. The outlook for offshore renewables market activity is on a moderate growth trajectory, but with volatility year on year.

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 26 April 2018

Time: 12:00 UK Time

Conference ID: 89947484#

	Conference Dial In Numbers
United Kingdom	0333 300 0804
United States	631 913 1422
Norway	23 50 02 43
International Dial In	+44 333 300 0804

Replay Facility Details

A replay facility (with conference ID 301216917#) will be available from:

Date: 26 April 2018
Time: 17:00 UK Time

	Conference Replay Dial In Numbers
International Dial In	+44 333 300 0819

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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 2017. 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; 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.

First Quarter 2018

Revenue
Revenue for the quarter was $809 million, a decrease of $88 million or 10% compared to Q1 2017. The decrease was due to lower activity levels in all Business Units driven by the challenging market conditions within the industry.

Adjusted EBITDA
Adjusted EBITDA and Adjusted EBITDA margin for the quarter were $103 million and 13% respectively, compared to $268 million and 30% in Q1 2017. The reduced Adjusted EBITDA margin in Q1 2018 reflected fewer projects in the final stages of completion, reduced offshore activity levels and vessel utilisation due to seasonality, and lower pricing on projects awarded during the downturn within the SURF and Conventional Business Unit, partially offset by continued cost discipline and good operational performance.

Net operating (loss)/income
Net operating loss for the quarter was $8 million, compared to net operating income of $169 million in Q1 2017. The decrease in net operating income was mainly due to lower net operating income across all Business Units reflecting lower activity levels, partly due to seasonally bad weather, and fewer projects in the final stage of completion compared to the same period in the prior year. Administrative expenses increased by $27 million compared with the prior year period, reflecting the acquisitions of Seaway Heavy Lifting, in March 2017, and certain businesses of ECS, in June 2017.

Net (loss)/income
Net loss was $18 million in the quarter, compared to net income of $146 million in Q1 2017. This was primarily due to:

- the decrease in net operating income;
- a net foreign currency loss of $22 million in Q1 2018, recognised within other gains and losses, compared to a net foreign currency loss of $7 million in Q1 2017

partially offset by:

- a taxation credit of $12 million recognised in Q1 2018, compared to a taxation charge of $60 million in Q1 2017. The taxation credit in the quarter reflects the expected effective tax rate for the year adjusted for discrete items.

Earnings per share
Diluted loss per share was 3 cents in Q1 2018 compared to diluted earnings per share of 41 cents in Q1 2017, calculated using a weighted average number of shares of 327 million and 342 million respectively.

Cash and cash equivalents
Cash and cash equivalents was $1.0 billion at 31 March 2018, a decrease of $102 million in the quarter. The movement in cash and cash equivalents during the quarter was mainly attributable to:

- purchases of property, plant and equipment of $78 million, including the construction of the new reel-lay vessel;
- payments to acquire interests in Xodus Group of $19 million;
- net cash used in financing activities of $9 million

partially offset by:

- net cash generated from operating activities of $6 million.

Borrowings
Borrowings decreased to $277 million at 31 March 2018 from $283 million at 31 December 2017 due to scheduled repayments.

Business Unit Highlights

First Quarter 2018

SURF and Conventional
Revenue for the quarter was $584 million, a decrease of $18 million or 3% compared to Q1 2017.

During the quarter the TVEX project, in the US Gulf of Mexico, was substantially completed. Work progressed during the quarter on the West Nile Delta Phase Two project, offshore Egypt, the Hasbah and 4 Decks projects, offshore Saudi Arabia and the Oda project, offshore Norway. In Brazil, there were high levels of PLSV utilisation under long-term contracts with Petrobras.

Net operating income was $13 million in the quarter, a decrease of $138 million or 92% compared to Q1 2017. The decrease in net operating income reflected fewer projects in the final stages of completion, lower offshore activity and lower vessel utilisation, and underlying margin pressure driven by challenging market conditions.

i-Tech Services
Revenue for Q1 2018 was $52 million, a decrease of $24 million or 32% compared to Q1 2017. ROV support activity decreased across the fleet due to a reduction in the number of active drill rigs worldwide. Inspection, Repair and Maintenance (IRM) activity decreased across the business.

Net operating loss was $4 million in Q1 2018 compared to a net operating income of $11 million in Q1 2017. The reduction in net operating income reflected lower activity levels and underlying pricing pressure.

Renewables and Heavy Lifting
Revenue was $173 million in Q1 2018 compared to $220 million in Q1 2017. Revenue mainly related to the Beatrice wind farm project, offshore UK, and the Borkum II wind farm project, offshore Germany. Net operating loss was $4 million in Q1 2018 which was in line with Q1 2017, the net operating loss reflects relatively low vessel utilisation due to weather conditions in the North Sea.

Asset Development and Activities

Vessel Utilisation

Total Vessel Utilisation for the quarter was 52% compared with 55% in Q1 2017. Active Vessel Utilisation, which excludes stacked vessel days, was 58% compared to 65% in Q1 2017.

At 31 March 2018 there were 32 vessels in the total fleet, comprised of 29 active vessels, two stacked vessels and one vessel under construction.

Asset Development

During the quarter construction continued on the Group's new reel-lay vessel.

Backlog

At 31 March 2018 backlog was $5.3 billion, an increase of $0.1 billion compared with 31 December 2017. Order intake totalling $829 million, comprising new awards and project escalations, was recorded in the quarter. Favourable foreign exchange movements of approximately $100 million were also recognised during the quarter. New awards included the Nova and Johan Castberg projects, offshore Norway, a long-term IRM contract offshore Azerbaijan and the 3PDMs project, offshore Saudi Arabia.

$4.4 billion of the backlog at 31 March 2018 related to the SURF and Conventional Business Unit (which included $1.2 billion related to long-term day-rate contracts for PLSV's in Brazil), $0.4 billion related to the i-Tech Services Business Unit and $0.5 billion related to the Renewables and Heavy Lifting Business Unit. $2.7 billion of this backlog is expected to be executed in 2018, $1.4 billion in 2019 and $1.2 billion in 2020 and thereafter. Backlog related to associates and joint ventures was excluded from these figures.

Subsea 7 S.A.
Condensed Consolidated Income Statement

(in $ millions)	Three Months Ended 31 Mar 2018 Unaudited	31 Mar 2017 Unaudited
Revenue	**809.2**	897.5
Operating expenses	**(735.7)**	(673.9)
Gross profit	**73.5**	223.6
Administrative expenses	**(74.4)**	(47.7)
Share of net loss of associates and joint ventures	**(6.9)**	(7.3)
Net operating (loss)/income	**(7.8)**	168.6
Finance income	**4.9**	5.3
Remeasurement gain on business combination	**–**	42.2
Other gains and losses	**(22.6)**	(7.8)
Finance costs	**(3.8)**	(2.0)
(Loss)/income before taxes	**(29.3)**	206.3
Taxation	**11.6**	(60.0)
Net (loss)/income	**(17.7)**	146.3
Net (loss)/income attributable to:		
Shareholders of the parent company	**(10.5)**	141.0
Non-controlling interests	**(7.2)**	5.3
	(17.7)	146.3

Earnings per share	**$ per share**	$ per share
Basic	**(0.03)**	0.43
Diluted[(a)]	**(0.03)**	0.41

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

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

	Three Months Ended	
(in $ millions)	**31 Mar 2018 Unaudited**	31 Mar 2017 Unaudited
Net (loss)/income	**(17.7)**	146.3
Other comprehensive income		
Items that may be reclassified to the income statement in subsequent periods:		
Foreign currency translation gains	**82.0**	21.5
Share of other comprehensive income of associates and joint ventures	**–**	0.5
Reclassification adjustments relating to business combination	**–**	9.0
Tax relating to components of other comprehensive income which may be reclassified	**1.9**	0.4
Other comprehensive income	**83.9**	31.4
Total comprehensive income	**66.2**	177.7
Total comprehensive income attributable to:		
Shareholders of the parent company	**72.5**	174.4
Non-controlling interests	**(6.3)**	3.3
	66.2	177.7

Subsea 7 S.A.
Condensed Consolidated Balance Sheet

As at (in $ millions)	31 Mar 2018 Unaudited	31 Dec 2017 Audited
Assets		
Non-current assets		
Goodwill	**722.2**	700.8
Intangible assets	**74.1**	81.0
Property, plant and equipment	**4,693.8**	4,688.1
Interest in associates and joint ventures	**43.5**	28.7
Advances and receivables	**38.8**	35.2
Derivative financial instruments	**6.7**	5.8
Financial investments	**5.5**	5.5
Deferred tax assets	**17.6**	17.2
	5,602.2	5,562.3
Current assets		
Inventories	**36.7**	36.7
Trade and other receivables	**567.3**	497.3
Derivative financial instruments	**33.1**	36.9
Assets classified as held for sale	**0.5**	0.7
Construction contracts – assets	**372.5**	319.1
Other accrued income and prepaid expenses	**199.1**	176.3
Restricted cash	**7.1**	6.3
Cash and cash equivalents	**1,007.4**	1,109.1
	2,223.7	2,182.4
Total assets	**7,825.9**	7,744.7
Equity		
Issued share capital	**654.7**	654.7
Treasury shares	**(18.8)**	(19.7)
Paid in surplus	**3,035.1**	3,033.7
Translation reserve	**(440.6)**	(523.6)
Other reserves	**(29.3)**	(29.3)
Retained earnings	**2,769.7**	2,776.8
Equity attributable to shareholders of the parent company	**5,970.8**	5,892.6
Non-controlling interests	**42.1**	48.4
Total equity	**6,012.9**	5,941.0
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**252.1**	258.2
Retirement benefit obligations	**31.8**	30.9
Deferred tax liabilities	**74.2**	78.4
Provisions	**87.3**	67.6
Contingent liability recognised	**7.9**	7.8
Derivative financial instruments	**–**	0.5
Other non-current liabilities	**42.2**	49.9
	495.5	493.3
Current liabilities		
Trade and other liabilities	**893.5**	892.9
Derivative financial instruments	**16.8**	24.3
Current tax liabilities	**78.5**	87.7
Current portion of borrowings	**24.6**	24.5
Provisions	**158.1**	76.8
Construction contracts – liabilities	**144.3**	200.0
Deferred revenue	**1.7**	4.2
	1,317.5	1,310.4
Total liabilities	**1,813.0**	1,803.7
Total equity and liabilities	**7,825.9**	7,744.7

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2018

Unaudited (in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017	**654.7**	**(19.7)**	**3,033.7**	**(523.6)**	**(29.3)**	**2,776.8**	**5,892.6**	**48.4**	**5,941.0**
Adjustment on implementation of IFRS 15	–	–	–	–	–	3.9	3.9	–	3.9
Balance at 1 January 2018	**654.7**	**(19.7)**	**3,033.7**	**(523.6)**	**(29.3)**	**2,780.7**	**5,896.5**	**48.4**	**5,944.9**
Comprehensive income/(loss)									
Net loss	–	–	–	–	–	(10.5)	(10.5)	(7.2)	(17.7)
Foreign currency translation gains	–	–	–	81.1	–	–	81.1	0.9	82.0
Tax relating to components of other comprehensive income	–	–	–	1.9	–	–	1.9	–	1.9
Total comprehensive income/(loss)	**–**	**–**	**–**	**83.0**	**–**	**(10.5)**	**72.5**	**(6.3)**	**66.2**
Transactions with owners									
Share-based payments	–	–	1.4	–	–	–	1.4	–	1.4
Shares reallocated relating to share-based payments	–	0.9	–	–	–	–	0.9	–	0.9
Loss on reissuance of treasury shares	–	–	–	–	–	(0.5)	(0.5)	–	(0.5)
Total transactions with owners	**–**	**0.9**	**1.4**	**–**	**–**	**(0.5)**	**1.8**	**–**	**1.8**
Balance at 31 March 2018	**654.7**	**(18.8)**	**3,035.1**	**(440.6)**	**(29.3)**	**2,769.7**	**5,970.8**	**42.1**	**6,012.9**

For the three months ended 31 March 2017

Unaudited (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 2017	**654.7**	**(31.5)**	**3,227.5**	**50.2**	**(689.1)**	**(40.2)**	**2,411.9**	**5,583.5**	**(46.9)**	**5,536.6**
Comprehensive income										
Net income	–	–	–	–	–	–	141.0	141.0	5.3	146.3
Foreign currency translation gains/(losses)	–	–	–	–	23.5	–	–	23.5	(2.0)	21.5
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	0.5	–	0.5	–	0.5
Reclassification adjustments relating to business combinations	–	–	–	–	4.5	4.5	–	9.0	–	9.0
Tax relating to components of other comprehensive income	–	–	–	–	0.4	–	–	0.4	–	0.4
Total comprehensive income	**–**	**–**	**–**	**–**	**28.4**	**5.0**	**141.0**	**174.4**	**3.3**	**177.7**
Transactions with owners										
Share-based payments	–	–	1.8	–	–	–	–	1.8	–	1.8
Addition of non-controlling interest	–	–	–	–	–	–	–	–	0.2	0.2
Gain on reissuance of treasury shares	–	–	–	–	–	–	0.2	0.2	–	0.2
Reclassification adjustment relating to business combination	–	–	–	–	–	5.5	(5.5)	–	–	–
Reclassification of non-controlling interest	–	–	–	–	36.2	–	(131.9)	(95.7)	95.7	–
Total transactions with owners	**–**	**–**	**1.8**	**–**	**36.2**	**5.5**	**(137.2)**	**(93.7)**	**95.9**	**2.2**
Balance at 31 March 2017	**654.7**	**(31.5)**	**3,229.3**	**50.2**	**(624.5)**	**(29.7)**	**2,415.7**	**5,664.2**	**52.3**	**5,716.5**

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

	Three Months Ended	
(in $ millions)	**31 Mar 2018 Unaudited**	31 Mar 2017 Unaudited
Net cash generated from operating activities	**5.8**	64.8
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**0.1**	–
Purchases of property, plant and equipment	**(78.0)**	(31.4)
Purchases of intangible assets	**(0.3)**	(1.9)
Loans to third parties	**–**	(10.2)
Completion payments to acquire subsidiary	**–**	(1.6)
Loans to associates and joint ventures	**(0.1)**	(0.2)
Interest received	**4.9**	5.3
Acquisition of interest in joint venture	**(18.9)**	–
Acquisition of business (net of cash and borrowings acquired)	**(5.0)**	(110.9)
Net cash used in investing activities	**(97.3)**	(150.9)
Cash flows from financing activities		
Interest paid	**(3.3)**	(0.9)
Proceeds from borrowings	**–**	301.3
Repayment of borrowings	**(6.2)**	–
Proceeds from reissuance of ordinary shares	**0.4**	0.2
Dividends paid to non-controlling interests	**–**	(0.5)
Net cash (used)/generated from financing activities	**(9.1)**	300.1
Net (decrease)/increase in cash and cash equivalents	**(100.6)**	214.0
Cash and cash equivalents at beginning of year	**1,109.1**	1,676.4
Increase in restricted cash	**(0.9)**	(21.0)
Effect of foreign exchange rate movements on cash and cash equivalents	**(0.2)**	2.4
Cash and cash equivalents at end of period	**1,007.4**	1,871.8

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 25 April 2018.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period from 1 January 2018 to 31 March 2018 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 2017 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 2017 except as detailed below.

The following International Financial Reporting Standards (IFRS) have been adopted by the Group for the financial year beginning 1 January 2018.

IFRS 9 'Financial Instruments'

IFRS 9 impacts the accounting for financial instruments in three areas; classification and measurement, hedge accounting and impairment.

Due to the nature of the financial instruments held by the Group, the change in classification and measurement requirements has not had a significant impact on the Group's Condensed Consolidated Financial Statements. The Group does not currently apply hedge accounting and as a result the new requirements are not applicable.

The implementation of IFRS 9 demands a change from an incurred loss impairment model to an expected credit loss (ECL) impairment model and requires the Group to record allowances against financial assets for expected credit losses, either from a 12-month or lifetime perspective. Credit losses are expected to be insignificant due to the nature of the Group's clients and the services provided. A review of the historic occurrence of credit losses indicates that annual credit losses are not material to the Condensed Consolidated Financial Statements. The outlook for the oil and gas and renewable energy industries is not expected to result in a significant change in the Group's exposure to credit losses.

IFRS 15 'Revenue from Contracts with Customers'

The Group has adopted IFRS 15 using the modified retrospective approach for contracts not considered complete at the date of initial application. As a result, all lump-sum onerous contract provisions have been reassessed in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', having previously been governed by IAS 11 'Construction Contracts'.

The requirements of IAS 37 prescribe that an onerous contract provision must be calculated on a least net cost basis, which includes unavoidable costs only, and comparing these costs to the cost of cancelling a contract and incurring early termination fees. As a result of the reassessment and restatement of lump-sum onerous contract provisions the Group has recognised an increase in retained earnings at 1 January 2018 of $3.9 million. In addition the onerous contract provision of $95.0 million, which at 31 December 2017 was included in the Consolidated Balance Sheet within 'Construction contract – liabilities', has been remeasured and reallocated to 'Provisions'. The impact on the Consolidated Balance Sheet as of 1 January 2018 ((increase)/decrease) was as follows:

(in $ millions)	Retained earnings	Construction contracts – liabilities	Provisions
Onerous contract provisions	**(3.9)**	**95.0**	**(91.1)**

As required by IAS 34 'Interim Financial Reporting', the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This is detailed within Note 6 'Segment information' to the Condensed Consolidated Financial Statements.

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 2017, 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 2017:

- Revenue recognition on long-term construction contracts
- Revenue recognition on variation orders and claims
- Allocation of goodwill to cash-generating units (CGUs)
- Goodwill carrying amount
- Property, plant and equipment
- Recognition of provisions and disclosure of contingent liabilities
- Taxation
- Measurement of other intangibles acquired on business combinations
- Measurement of contingent consideration on business combinations

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, tropical storms and rough seas, which may cause delays. Periods of adverse weather conditions usually result in low levels of activity.

6. Segment information

For management and reporting purposes, the Group is organised into four Business Units: SURF and Conventional, i-Tech Services, Renewables and Heavy Lifting and Corporate. These operating segments are defined as follows:

SURF and Conventional

The SURF and Conventional Business Unit includes:

- Subsea Umbilicals, Risers and Flowlines (SURF) activities related to the engineering, procurement, installation and commissioning of highly complex systems offshore, including the long-term PLSV contracts in Brazil; and
- Conventional services including the fabrication, installation, extension and refurbishment of fixed and floating platforms and associated pipelines in shallow water environments.

This segment includes costs, including depreciation and impairment charges, related to vessels, equipment and offshore personnel deployed in SURF and Conventional activities. This segment also includes activity related to the Subsea 7 Malaysia joint venture.

i-Tech Services

The i-Tech Services Business Unit includes activities associated with the provision of Inspection, Repair and Maintenance (IRM) services, integrity management of subsea infrastructure and remote intervention support. This segment includes costs, including depreciation and impairment charges, related to vessels, equipment and offshore personnel deployed in i-Tech Services activities. The Eidesvik Seven joint venture is reported within this segment.

Renewables and Heavy Lifting

The Renewables and Heavy Lifting Business Unit includes activities related to three specialist segments of the offshore energy market: the installation of offshore wind farm foundations, heavy lifting operations for oil and gas structures, and the decommissioning of redundant offshore structures. This segment includes costs, including depreciation and impairment charges, related to vessels, equipment and offshore personnel deployed in Renewables and Heavy Lifting activities.

Corporate

The Corporate Business Unit includes group-wide activities, and associated costs, including captive insurance activities, operational support, corporate services and costs associated with discrete events such as restructuring. A significant portion of the Corporate Business Unit's costs are allocated to the other operating segments based on a percentage of their external revenue.

Summarised financial information relating to each operating segment is as follows:

For the three months ended 31 March 2018

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Renewables and Heavy Lifting	Corporate	Total
Revenue[(a)]					
Lump-sum projects	**400.6**	**0.2**	**173.4**	**–**	**574.2**
Day-rate projects	**183.7**	**51.3**	**–**	**–**	**235.0**
	584.3	**51.5**	**173.4**	**–**	**809.2**
Net operating income/(loss)	**12.8**	**(3.5)**	**(4.4)**	**(12.7)**	**(7.8)**
Finance income					**4.9**
Other gains and losses					**(22.6)**
Finance costs					**(3.8)**
Loss before taxes					**(29.3)**

(a) Revenue from contracts with customers recognised over time as defined by IFRS 15.

For the three months ended 31 March 2017

(in $ millions) Unaudited	SURF and Conventional	i-Tech Services	Renewables and Heavy Lifting	Corporate	Total
Revenue	602.0	75.6	219.9	–	897.5
Net operating income/(loss)	151.0	10.8	(4.0)	10.8	168.6
Finance income					5.3
Remeasurement gain on business combination					42.2
Other gains and losses					(7.8)
Finance costs					(2.0)
Income before taxes					206.3

7. Earnings per share

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net (loss)/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 potentially dilutive 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 2018 Unaudited**	31 Mar 2017 Unaudited
Net (loss)/income attributable to shareholders of the parent company	**(10.5)**	141.0
Earnings used in the calculation of diluted earnings per share	**(10.5)**	141.0

	Three Months Ended	
For the period (number of shares)	**31 Mar 2018 Unaudited**	31 Mar 2017 Unaudited
Weighted average number of common shares used in the calculation of basic earnings per share	**326,518,022**	325,836,553
Convertible bonds	**–**	15,343,431
Share options and performance shares	**–**	570,773
Weighted average number of common shares used in the calculation of diluted earnings per share	**326,518,022**	341,750,757

	Three Months Ended	
For the period (in $ per share)	**31 Mar 2018 Unaudited**	31 Mar 2017 Unaudited
Basic earnings per share	**(0.03)**	0.43
Diluted earnings per share	**(0.03)**	0.41

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

For the period (number of shares)	Three Months Ended **31 Mar 2018** **Unaudited**	 31 Mar 2017 Unaudited
Share options and performance shares	**1,983,066**	1,432,163

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. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation costs, amortisation of prepaid mobilisation expenses and amortisation of intangible assets, impairment charges or impairment reversals, finance income, remeasurement gains and losses on business combinations, other gains and losses (including foreign exchange gains and losses, gains on disposal of subsidiaries, gains and losses resulting from remeasurement of contingent consideration, gains on distributions and bargain purchase gains on business combinations), 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 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 (loss)/income to Adjusted EBITDA and Adjusted EBITDA margin:

For the period (in $ millions)	Three Months Ended **31 Mar 2018** **Unaudited**	 31 Mar 2017 Unaudited
Net operating (loss)/income	**(7.8)**	168.6
Depreciation, amortisation and mobilisation	**110.8**	99.4
Adjusted EBITDA	**103.0**	268.0
Revenue	**809.2**	897.5
Adjusted EBITDA margin	**12.7%**	29.9%

Reconciliation of net (loss)/income to Adjusted EBITDA and Adjusted EBITDA margin:

For the period (in $ millions)	Three Months Ended **31 Mar 2018** **Unaudited**	 31 Mar 2017 Unaudited
Net (loss)/income	**(17.7)**	146.3
Depreciation, amortisation and mobilisation	**110.8**	99.4
Remeasurement gain on business combination	**–**	(42.2)
Finance income	**(4.9)**	(5.3)
Other gains and losses	**22.6**	7.8
Finance costs	**3.8**	2.0
Taxation	**(11.6)**	60.0
Adjusted EBITDA	**103.0**	268.0
Revenue	**809.2**	897.5
Adjusted EBITDA margin	**12.7%**	29.9%

9. Goodwill

The movement in goodwill during the period was as follows:

(in $ millions)	Three Months Ended 31 Mar 2018 Unaudited	31 Mar 2017 Unaudited
At period beginning	**700.8**	627.7
Adjustments to identifiable net assets at fair value subsequent to initial recognition	**(0.7)**	–
Acquired in business combination	**–**	42.0
Exchange differences	**22.1**	2.9
At period end	**722.2**	672.6

10. Business combinations

Agreement to acquire certain businesses and assets of Siem Offshore Inc

On 10 February 2018, indirect subsidiaries of Subsea 7 S.A. entered into an agreement to acquire the entire share capital of Siem Offshore Contractors GmbH ('Siem Offshore Contractors'), the inter-array cable lay vessel, Siem Aimery, and the support vessel, Siem Moxie. The transaction was completed on 10 April 2018 and as a result Siem Offshore Contractors became a wholly-owned subsidiary of the Group and its results will be recognised within the Renewables and Heavy Lifting Business Unit.

Siem Offshore Contractors is a well-known installer of subsea inter-array cables and provides repair and maintenance services to the global offshore renewable energy market. It employs approximately 100 people. The vessels, Siem Aimery and Siem Moxie, were owned by Siem Offshore Rederi AS. Siem Offshore Contractors GmbH and Siem Offshore Rederi AS are wholly-owned subsidiaries of Siem Offshore Inc., which is a related party to Subsea 7 S.A.

The primary reason for the transaction is to expand Subsea 7's presence in the renewables segment.

The initial consideration, inclusive of cash acquired and subject to finalisation adjustments, was EUR 140 million (equivalent to approximately $170 million). In addition there is a deferred contingent consideration, based on the contracted volume of work achieved each year up to 2024, which, subject to finalisation of procedures, is not expected to exceed EUR 40 million (equivalent to approximately $50 million) over the period.

11. Acquisition of interests in joint ventures

Agreement to invest in Xodus Group

On 16 March 2018 an indirect subsidiary of Subsea 7 S.A. acquired 60% of the voting shares of Xodus Group (Holdings) Limited, a leading energy consultancy, from the Chiyoda Corporation. The primary reason for the investment is to enhance the Group's early engineering engagement in both the oil and gas and offshore renewables industries. Management has concluded that the Group's investment in Xodus Group (Holdings) Limited qualifies as a joint venture and its interest will be equity accounted within the Group's Consolidated Financial Statements.

Schlumberger and Subsea 7 announce intent to form a joint venture

On 23 February 2018 the Group announced that it has entered into exclusive negotiations with Schlumberger to form a joint venture. The creation of the joint venture builds upon the existing Subsea Integration Alliance which has been in place between the two companies since 2015. The proposed transaction will result in both parties contributing resources related to early engagement and tendering and both parties will assign their respective Life of Field businesses to the joint venture.

The primary reason for the transaction is to strengthen the front-end engineering, design and execution of integrated projects and to create a Life of Field offering which includes autonomous subsea technology, digitally enabled remote surveillance and production monitoring, and inspection, maintenance and repair services.

On completion of the transaction, the Group will own 50% of the voting shares of the joint venture and its interest will be equity accounted within the Group's Consolidated Financial Statements.

12. Treasury shares

During the first quarter, 37,541 shares were used to satisfy share-based awards. Following these transactions, at 31 March 2018, the Group held 820,346 common shares as treasury shares of which 820,346 (Q4 2017: 857,887) common shares were directly held, representing 0.25% (Q4 2017: 0.26%) of the total number of issued shares.

13. Share repurchase programme

During the first quarter, no shares were repurchased under the Group's $200 million share repurchase programme initiated in July 2014 and extended to 31 July 2019. At 31 March 2018, the Group had repurchased a cumulative 5,272,656 shares for a total consideration of $57.1 million under the July 2014 programme.

14. Commitments, and contingent liabilities

Commitments

At 31 March 2018, the Group had entered into significant contractual commitments totalling $230.2 million, mainly in relation to the construction of a new reel-lay vessel and associated pipe-lay equipment.

Contingent liabilities not recognised in the Consolidated Balance Sheet

The Group is subject to tax audits and receives tax assessments in a number of jurisdictions where it has, or has had, operations. The estimation of the ultimate outcome of these audits and disputed tax assessments is complex and subjective. The likely outcome of the audits and associated cash outflow, if any, may be impacted by technical uncertainty and the availability of supporting documentation.

Among these audits, the Group's Nigerian businesses were subject to audit by Rivers State, Nigeria, in respect of payroll taxes for the years 2010 to 2014. At 31 March 2018, there was a contingent liability relating to the assessments received from Rivers State, which total NGN 34,190 million, equivalent to $94.7 million (31 December 2017: NGN 34,190 million, equivalent to $95.0 million). The Group has challenged the assessments and is currently involved in court proceedings in Nigeria to protect its assets from sequestration by Rivers State authorities in respect of one of the assessments totalling NGN 3,352 million, equivalent to $9.3 million.

The Group does not believe the likelihood of payments is probable and no provision has been recognised in the Consolidated Balance Sheet in respect of assessments resulting from the Rivers State audits.

Between 2009 and 2017, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (including import duty) by the Brazilian state and federal tax authorities. The amount assessed, including penalties and interest, at 31 March 2018 amounted to BRL 711.8 million, equivalent to $214.0 million (31 December 2017: BRL 703.3 million, equivalent to $213.7 million). The Group has challenged these assessments. No provision has been made in relation to these cases. A contingent liability has been disclosed for the total amounts assessed as the disclosure criteria have been met, however, the Group does not believe that the likelihood of payment is probable.

Contingent liabilities recognised in the Consolidated Balance Sheet

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 2018 was $4.8 million (31 December 2017: $4.9 million). While complying with the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

As part of the accounting for the business combination of Pioneer Lining Technology Limited, IFRS 3 'Business Combinations' required the Group to recognise a provision in respect of contingent consideration payable to a third party following the acquisition of intangible assets in 2009. The value of the provision recognised within the Consolidated Balance Sheet at 31 March 2018 was $3.1 million (31 December 2017: $2.9 million).

15. Cash flow from operating activities

	Three Months Ended	
For the period ended (in $ millions)	**31 Mar 2018 Unaudited**	31 Mar 2017 Unaudited
Cash flow from operating activities:		
(Loss)/income before taxes	**(29.3)**	206.3
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**101.3**	93.3
Amortisation of intangible assets	**8.5**	3.3
Amortisation of mobilisation costs	**1.0**	2.8
Adjustments for investing and financing items:		
Remeasurement gain on business combination	**–**	(42.2)
Share of net loss of associates and joint ventures	**6.9**	7.3
Finance income	**(4.9)**	(5.3)
Loss on disposal of property, plant and equipment	**0.2**	0.3
Finance costs	**3.8**	2.0
Adjustments for equity items:		
Share-based payments	**1.4**	1.8
	88.9	269.6
Changes in operating assets and liabilities:		
Decrease/(increase) in inventories	**0.4**	(1.4)
(Increase)/decrease in operating receivables	**(66.8)**	12.1
Increase/(decrease) in operating liabilities	**6.7**	(205.1)
	(59.7)	(194.4)
Income taxes paid	**(23.4)**	(10.4)
Net cash generated from operating activities	**5.8**	64.8

16. Fair value and financial instruments

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.

Borrowings – senior secured facility

The fair value of the senior secured facility is determined by matching the maturity profile of the amounts utilised under the facility to market interest rates available to the Group for borrowings with similar security, maturity and repayment profiles. At 31 March 2018 interest charged under the facility is representative of market rates currently available to the Group and therefore the carrying amount approximates fair value.

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.

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

As at (in $ millions)	**2018 31 Mar Level 2**	**2018 31 Mar Level 3**	2017 31 Dec Level 2	2017 31 Dec Level 3
Recurring fair value measurements				
Financial assets mandatorily measured at fair value through profit or loss:				
Derivative instruments	**39.8**	**–**	42.7	–
Financial liabilities mandatorily measured at fair value through profit or loss:				
Derivative instruments	**(16.8)**	**–**	(24.8)	–
Contingent consideration	**–**	**(20.8)**	–	(20.0)

During the period ended 31 March 2018 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 mandatorily measured at fair value through profit or loss

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

- Forward foreign exchange contracts and embedded derivatives
  The fair value of outstanding forward foreign exchange contracts and embedded derivatives was calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.
- Contingent consideration
  The fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones and calculated using the discounted cash flow method and unobservable inputs.

Financial assets measured at fair value through other comprehensive income and designated as such at initial recognition

The Group's financial assets and liabilities measured at fair value through other comprehensive income and designated as such at initial recognition comprised:

Financial investments

At 31 March 2018, the Group had an investment in an unlisted company. The Group has concluded that due to the nature of the investment there is a wide range of possible fair value measurements with insufficient recent information available to accurately measure fair value. As a result, at 31 March 2018, the investment continues to be carried at cost of $5.5 million as this is considered to represent the best estimate of fair value within the range of possible outcomes.

17. Post balance sheet events

Share repurchase plan

Between 3 April 2018 and 9 April 2018, the Group repurchased 674,699 common shares for a total consideration of $8.6 million as part of the share repurchase programme announced in July 2014.

Acquisition certain businesses and assets of Siem Offshore Inc.

On 10 April 2018, indirect subsidiaries of Subsea 7 S.A. acquired the entire share capital of Siem Offshore Contractors GmbH ('Siem Offshore Contractors'), the inter-array cable lay vessel, Siem Aimery, and the support vessel, Siem Moxie.

Shareholder resolution on Special Dividend at Annual General Meeting

The Annual General Meeting of shareholders of Subsea 7 S.A. took place on 17 April 2018. All resolutions proposed by the Board of Directors were approved by shareholders, including the resolution to approve the payment of a special dividend of NOK 5.00 per share, equivalent to a total dividend of approximately $210 million. The dividend will be paid on 2 May 2018.