# Second Quarter 2018 Earnings Presentation

26 July 2018

# Forward-looking statements

Certain statements made in this presentation may include 'forward-looking statements'. These statements may be identified by the use of words like 'anticipate', 'believe', 'could', 'estimate', 'expect', 'forecast', 'intend', 'may', 'might', 'plan', 'predict', 'project', 'scheduled', 'seek', 'should', 'will', and similar expressions. The forward-looking statements reflect our current views and are subject to risks, uncertainties and assumptions. The principal risks and uncertainties which could impact the Group and the factors which could affect the actual results are described but not limited to those in the 'Risk Management' section in the Group's Annual Report and Consolidated Financial Statements for the year ended 31 December 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; 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.

# Second Quarter 2018

Jean Cahuzac, CEO
- *Highlights*

Ricardo Rosa, CFO
- *Financial performance*

Jean Cahuzac, CEO
- *Strategy and outlook*
- *Q&A*

# Q2 2018 results

## FINANCIAL HIGHLIGHTS

- Revenue $1.2 billion
- Adjusted EBITDA $186 million
- Adjusted EBITDA margin 16%
- Diluted EPS $0.24
- Net cash $343 million

- Acquisition of SOC[1] completed on 10 April 2018

## OPERATIONAL HIGHLIGHTS

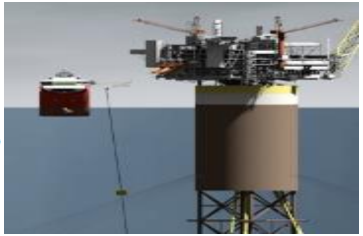
- Good progress on EPIC SURF and renewables projects
- Active Vessel Utilisation: 80%
- Total Vessel Utilisation: 75%

## ORDER INTAKE

- Order backlog $5.4 billion
- $1.3 billion awards and escalations
- $95 million from SOC acquisition

(1) Seaway Offshore Cables (SOC), previously called Siem Offshore Contractors, was acquired on 10 April 2018

# Operational highlights



Aasta Hansteen (Norway)

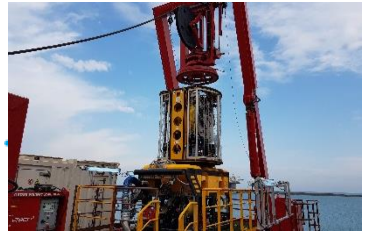
WND Ph.2/GFR (Egypt)

Beatrice (UK)

Snorre (Norway)

4 Decks (Saudi Arabia)

Utgard (Norway)

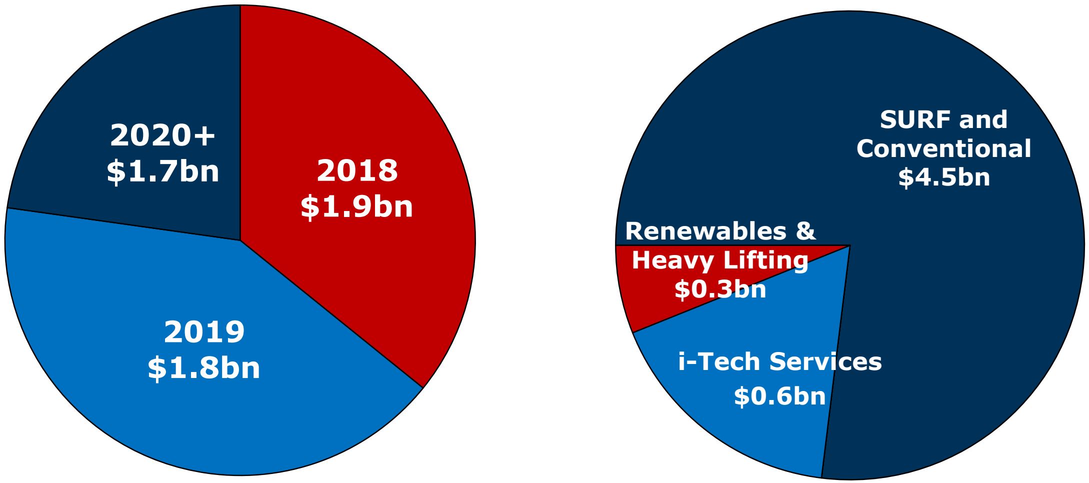


BP IRM (Azerbaijan)

PLSVs (Brazil)

# Backlog and order intake

## Backlog of $5.4 billion, as at 30 June 2018




- $1.3 billion awarded in the second quarter
- Book-to-bill 1.2x
- Seven announced awards:
  - Alligin (UK)
  - PUPP (Nigeria)
  - Penguins (UK)
  - IRM (Norway)
  - WDDM 9b (Egypt)
  - Vito (US GoM)
  - Zinia (Angola)

Order backlog includes:
- addition of $95 million backlog recognised on acquisition and consolidation of SOC
- $1.1 billion relating to long-term contracts for PLSVs in Brazil
- approximately $120 million relating to the Fortuna project offshore Equatorial Guinea
- approximately $200 million adverse foreign exchange movement in the second quarter

# Income statement – Q2 highlights

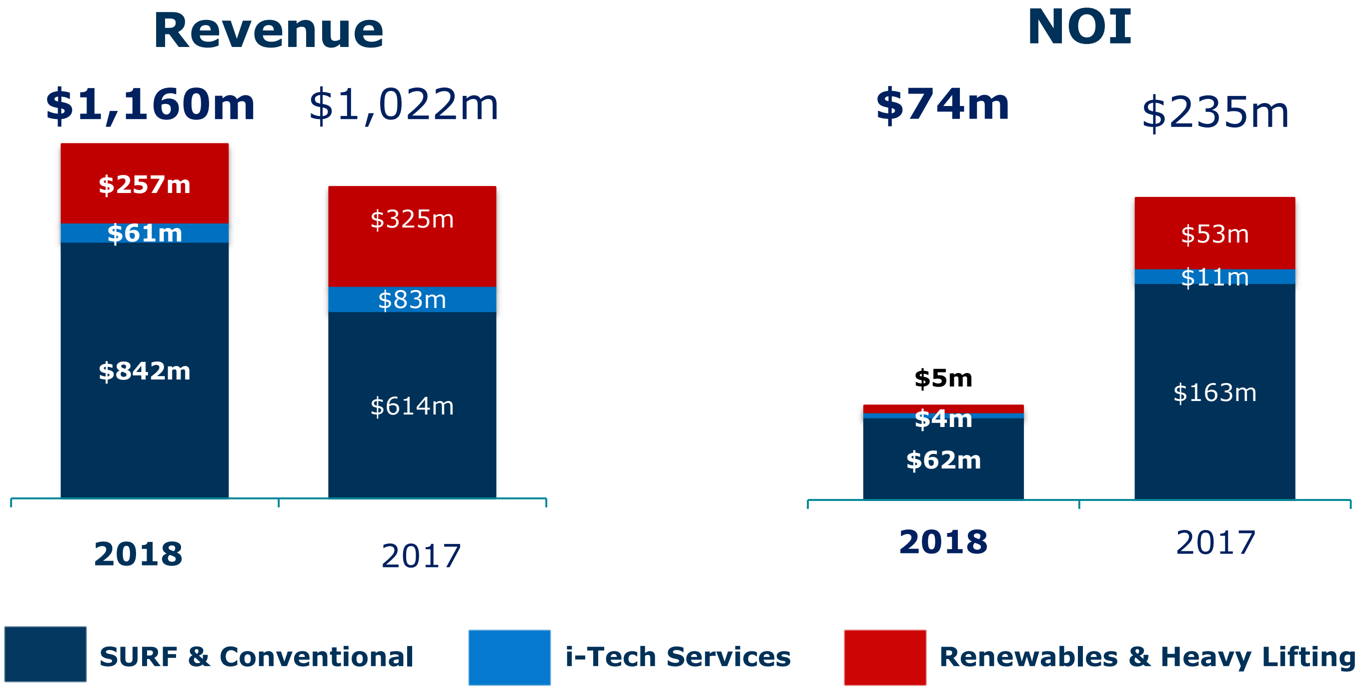
| In $ millions, unless otherwise indicated | Three months ended<br>**30 June 2018 Unaudited** | <br>30 June 2017 Unaudited |
|---|---|---|
| Revenue | **1,160** | 1,022 |
| Net operating income (NOI) | **74** | 235 |
| Income before taxes | **101** | 206 |
| Taxation | **(27)** | (60) |
| Net income | **74** | 146 |
| | | |
| Adjusted EBITDA[1] | **186** | 340 |
| Adjusted EBITDA margin | **16%** | 33% |
| | | |
| Diluted earnings per share $ | **0.24** | 0.43 |
| Weighted average number of shares (millions) | **327** | 341 |

(1) Adjusted EBITDA defined in Appendix

# Income statement – supplementary details

| In $ millions | Three months ended 30 June 18 Unaudited | 30 June 17 Unaudited |
|---|---|---|
| Administrative expenses | **(66)** | (58) |
| Share of net income/(loss) of associates and joint ventures | **3** | (11) |
| Depreciation, amortisation, mobilisation and impairment | **(112)** | (105) |
| Net operating income | **74** | 235 |
| Net finance income/(cost) | **-** | (1) |
| Other gains and losses | **27** | (27) |
| Income before taxes | **101** | 206 |
| Taxation | **(27)** | (60) |
| Net income | **74** | 146 |
| Net income attributable to: | | |
| Shareholders of the parent company | **78** | 144 |
| Non-controlling interests | **(4)** | 2 |

# Business Unit performance– Second quarter

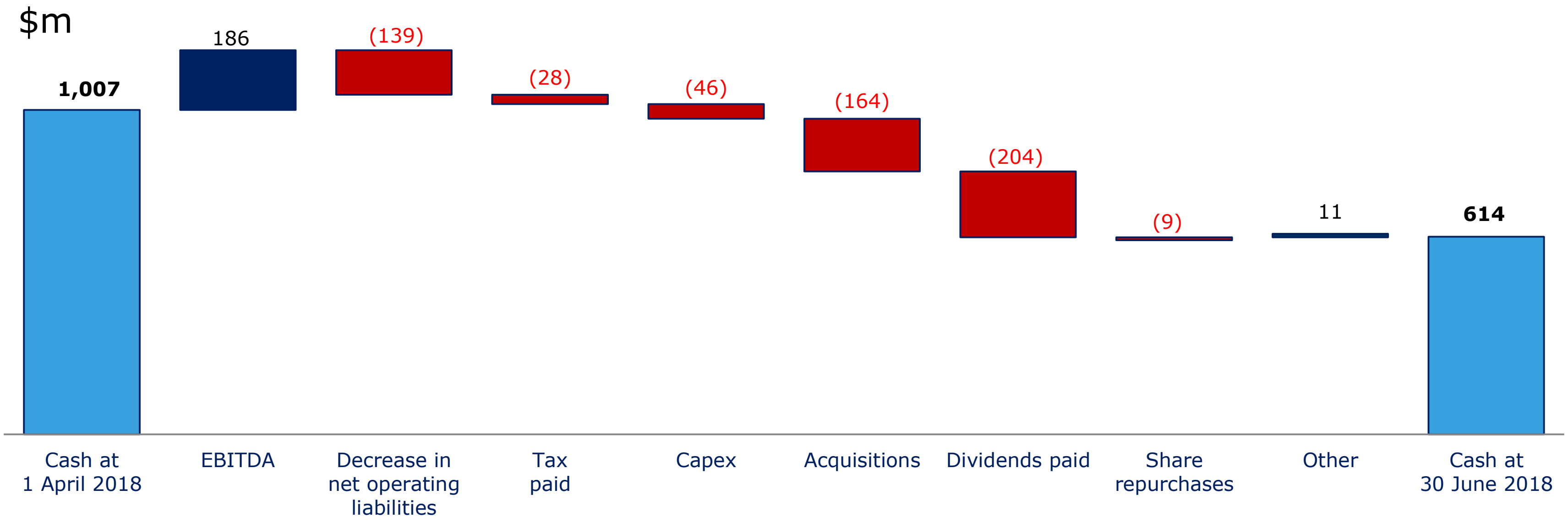



Corporate segment: net operating income Q2 2018 $3m (Q2 2017: $8m)

# SOC acquisition and consolidation

- Seaway Offshore Cables, previously called Siem Offshore Contractors, (SOC) was acquired by Subsea 7 on 10 April 2018 along with two associated vessels: *Siem Moxie* (to be renamed *Seaway Moxie*) and *Seaway Aimery* (previously named *Siem Aimery*)
- Consolidated within the Renewables and Heavy Lifting Business Unit
- Initial consideration of $164 million paid on completion, of which $117 million related to the vessels and equipment
- Estimated $30 million contingent consideration to be paid based on contracted volume of work achieved in each year up to 2024
- $95 million added to order backlog
- Goodwill of $70 million recognised

# Summary of second quarter 2018 cash flow




- Net cash of $343 million as at 30 June 2018
- Long-term ECA borrowing facility of $271 million at 30 June 2018
- Undrawn revolving credit facility of $656 million

# Financial guidance

## 2018 Guidance [1]

| | |
|---|---|
| Revenue | Broadly in line with 2017 |
| Adjusted EBITDA percentage margin | Significantly lower than 2017 |
| Administrative expense | $260 million - $280 million |
| Net finance cost | $0 million - $5 million |
| Depreciation and Amortisation | $420 million - $440 million |
| Full year effective tax rate | 25% - 27% |
| Capital expenditure [2] | $250 million - $280 million |

(1) Guidance given 26 July 2018
(2) Includes approximately $115 million expenditure related to the new-build reel-lay vessel

# Creating sustainable long-term value

- Supporting the full field lifecycle in the changing energy sector by creating sustainable value:
  - Investing in our balance of plant capability in renewable energy
  - Developing our integrated service offering with a joint venture
  - Creating innovative solutions with our differentiated technology

# Subsea 7’s approach to renewable energy

**1991** SHL Joint Venture established

**2009** First Renewables Project for SHL

**2013** Subsea 7 increases its focus on renewables

**2016** Beatrice EPCI awarded to Subsea 7

**2017** SHL acquired by Subsea 7

**2018** SOC acquired by Subsea 7

**2018** Comprehensive balance of plant offering: T&I and EPCI

10 years experience in renewable energy

**11%** forecast for CAGR in renewables(1)

**1000** experienced personnel

**2** EPCI projects ongoing

**4** specialist offshore vessels

(1) Source: Rystad Energy, September 2017, forecast to 2022

# Integrated solutions: adding value through the lifecycle

Subsea 7, together with Schlumberger, aim to…

- provide clients with solutions that enhance production and improve flow assurance

…through…

- integrated field design and life of field services

…by…

- engaging earlier and developing superior technology

**Rationalise**
- Design to vessel specification
- Integrate schedules
- Interface control

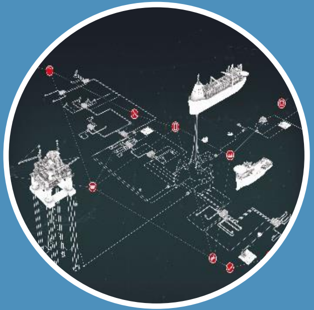
**Optimise**
- Field architecture
- Production systems
- Control system

**Maximise**
- Flow assurance
- Production assurance
- Enhanced recovery
- Concept design

# Integrated solutions JV value proposition

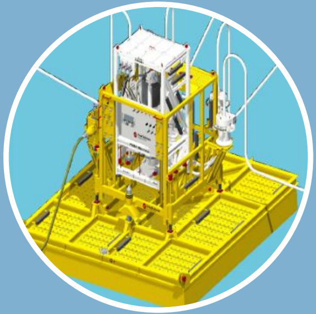
**Integrated Projects**

- > Supplier led solutions
- > Reduced Costs
- > Reduced Risk
- > Optimised schedules



**Life of Field**

- > Lower Operating Expenditure
- > Asset Integrity Assurance
- > Enhanced Production
- > Extended Field Life



**Technology**

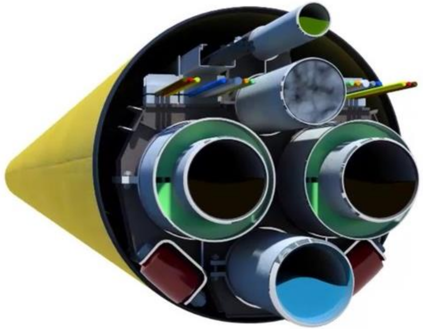
- > Improved Recovery
- > Standardisation
- > Subsea Processing
- > Digitalisation

**VALUE PROPOSITION**

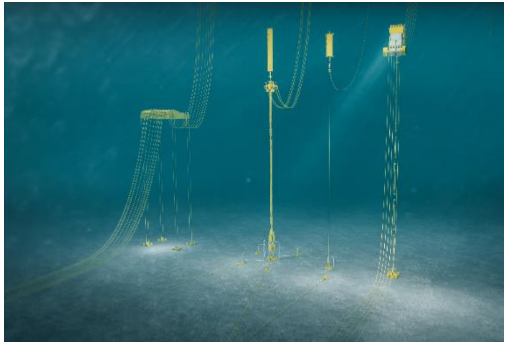
# Technology focus areas

## Create **value** through **innovation** and **technology**

- Continue to develop and improve our proprietary **Pipeline Bundle and tie-back technologies**
- Continue to **invest** in emerging business led technologies including composite pipelines and offshore renewable energy
- Subsea 7 has over **750** granted and pending patents contained in **170** patent families



*Cross Section of a Pipeline Bundle*



*Composite Risers*

# Business Unit Outlook

### SURF and Conventional
- Tendering activity increasing but pricing not yet improving near term
- Improved visibility on timing of awards for large greenfield projects

### Renewables and Heavy Lifting
- T&I tendering for near-term activity continues
- Medium-term EPCI projects in Europe delayed due to ownership and approval schedule changes

### i-Tech Services
- Improving outlook for spot work
- Pricing remains competitive in 2018

# ANY QUESTIONS?

# Appendix

Major project progression

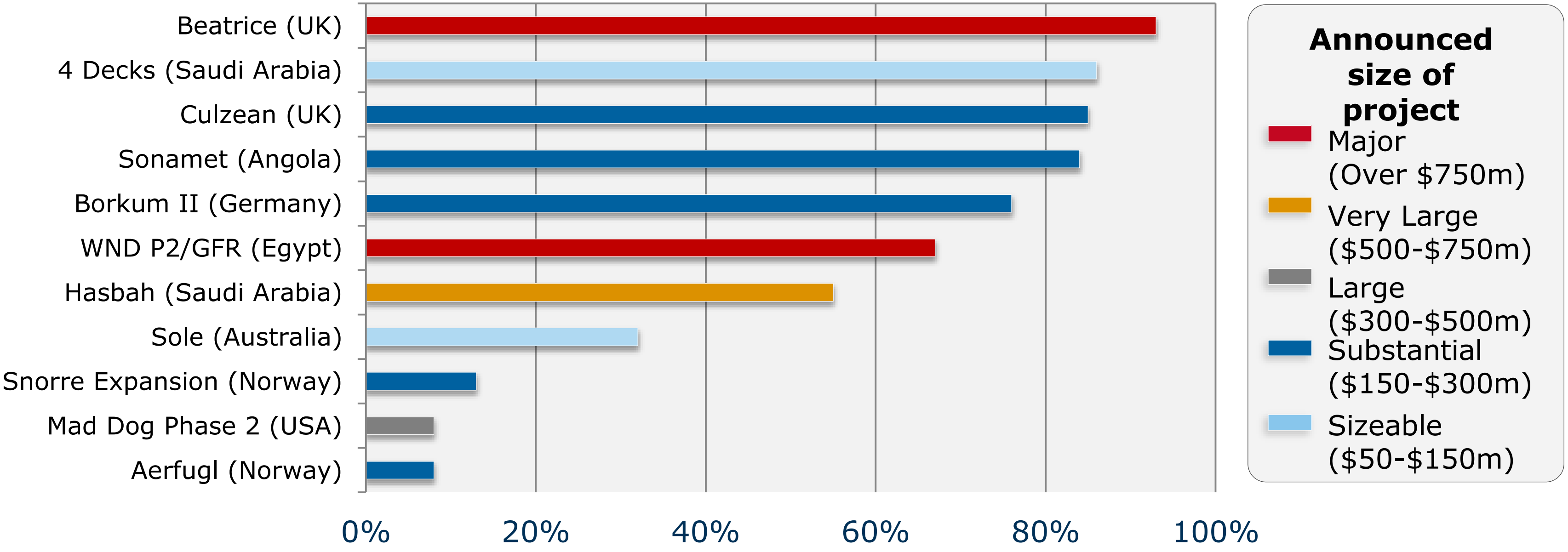
Track Record

Fleet

Financial summaries

# Major project progression

- Continuing projects >$100m between 5% and 95% complete as at 30 June 2018 excluding PLSV and Life of Field day-rate contracts



# TRACK RECORD

subsea 7

Over 1,000 projects delivered for our clients worldwide
- A selection of current and recent projects

- Beatrice wind farm, BOWL
- Borkum II, Trianel

- Catcher, Premier
- Culzean, Maersk
- Callater, Apache
- Alligin, BP
- Penguins, Shell
- Snorre, Equinor
- SCIRM, BP
- DSVi, Various

- Martin Linge, Total
- Aasta Hansteen, Statoil
- Maria, Wintershall
- IRM Services, Equinor

- IRM Services, BP

- Al-Khalij, Total
- Hasbah, in consortium with L&T

- Vito, BP
- Holstein Deep, Freeport McMoran
- Mad Dog 2, BP
- Stampede, Hess
- TVEX, US Gulf of Mexico

- PLSVs, Petrobras

- Zinia Phase 2, Total
- WDDM 9b, Burullus
- West Nile Delta  Phase 2, BP
- West Nile Delta, Burullus
- East Nile Delta, Pharaonic
- Atoll, Pharaonic
- PUPP, Mobil Producing Nigeria
- OCTP, offshore Ghana

- Bayu-Undan, ConocoPhillips
- Dong Hae, Korea National Oil Corp.
- EPRS, INPEX/Chevron
- G1/G15, Oil & Natural Gas Corp.
- Gorgon, Chevron
- Persephone, Woodside
- Sole, Cooper

# FLEET 34 Vessels including 31 active vessels at end Q2 '18

## PIPELAY/HEAVY LIFTING VESSELS


## CONSTRUCTION/FLEX-LAY VESSELS



## DIVING SUPPORT VESSELS


## RENEWABLES & HEAVY LIFTING VESSELS


## LIFE OF FIELD VESSELS


## LIFT/HOOK-UP


- ▲ Under construction Reel-lay vessel to be named Seven Vega
- ▲ Long-term charter from a vessel-owning joint venture
- ▲ Stacked
- ▲ Chartered from a third party

# Segmental analysis

## For the three months ended 30 June 2018

| In $ millions (unaudited) | **SURF & Conventional** | **i-Tech Services** | **Renewables & Heavy Lifting** | **Corporate** | **TOTAL** |
|---|---|---|---|---|---|
| Revenue | **842** | **61** | **257** | **-** | **1,160** |
| Net operating income | **62** | **4** | **5** | **3** | **74** |
| Finance income | | | | | **4** |
| Other gains and losses | | | | | **27** |
| Finance costs | | | | | **(4)** |
| Income before taxes | | | | | **101** |

## For the three months ended 30 June 2017

| In $ millions (unaudited) | SURF & Conventional | i-Tech Services | Renewables & Heavy Lifting | Corporate | TOTAL |
|---|---|---|---|---|---|
| Revenue | 614 | 83 | 325 | - | 1,022 |
| Net operating income/(loss) | 163 | 11 | 53 | 8 | 235 |
| Finance income | | | | | 6 |
| Other gains and losses | | | | | (27) |
| Finance costs | | | | | (7) |
| Income before taxes | | | | | 206 |

# Summary balance sheet

| In $ millions | 30 June 2018 Unaudited | 30 June 2017 Unaudited |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Goodwill | **769** | 683 |
| Property, plant and equipment | **4,720** | 4,678 |
| Other non-current assets | **177** | 277 |
| Total non-current assets | **5,666** | 5,638 |
| **Current assets** | | |
| Trade and other receivables | **640** | 609 |
| Construction contracts - assets | **508** | 156 |
| Other accrued income and prepaid expenses | **172** | 171 |
| Cash and cash equivalents | **614** | 1,474 |
| Other current assets | **68** | 104 |
| Total current assets | **2,002** | 2,514 |
| Total assets | **7,668** | 8,152 |

| In $ millions | 30 June 2018 Unaudited | 30 June 2017 Unaudited |
|---|---|---|
| **Equity & Liabilities** | | |
| Total equity | **5,765** | 5,713 |
| **Non-current liabilities** | | |
| Non-current portion of borrowings | **246** | 269 |
| Other non-current liabilities | **268** | 218 |
| Total non-current liabilities | **514** | 487 |
| **Current liabilities** | | |
| Trade and other liabilities | **992** | 1,001 |
| Current portion of borrowings | **25** | 381 |
| Construction contracts – liabilities | **105** | 239 |
| Deferred revenue | **16** | 8 |
| Other current liabilities | **251** | 323 |
| Total current liabilities | **1,389** | 1,952 |
| Total liabilities | **1,903** | 2,439 |
| Total equity & liabilities | **7,668** | 8,152 |

# Reconciliation of Adjusted EBITDA

## Net operating income to Adjusted EBITDA

| For the period (in $millions) | **Three Months Ended 30 June 2018 Unaudited** | Three Months Ended 30 June 2017 Unaudited |
|---|---|---|
| Net operating income | **74** | 235 |
| Depreciation, amortisation, mobilisation and impairment | **112** | 105 |
| Adjusted EBITDA | **186** | 340 |
| Revenue | **1,160** | 1,022 |
| Adjusted EBITDA % | **16%** | 33% |

## Net income to Adjusted EBITDA

| For the period (in $millions) | **Three Months Ended 30 June 2018 Unaudited** | Three Months Ended 30 June 2017 Unaudited |
|---|---|---|
| Net income | **74** | 146 |
| Depreciation, amortisation, mobilisation and impairment | **112** | 105 |
| Finance income | **(4)** | (6) |
| Other gains and losses | **(27)** | 27 |
| Finance costs | **4** | 7 |
| Taxation | **27** | 60 |
| Adjusted EBITDA | **186** | 340 |
| Revenue | **1,160** | 1,022 |
| Adjusted EBITDA % | **16%** | 33% |

# Summary of first half 2018 cash flow

| | $ millions | |
|---|---|---|
| Cash and cash equivalents at **31 Dec 2017** | 1,109 | |
| Net cash generated from operating activities | 48 | *Included a decrease in net operating liabilities of $199 million* |
| Net cash flow used in investing activities | (304) | *Included cash outflows on SOC acquisition of $164 million including vessels, acquisition of interest in Xodus $19m and capital expenditure of $124m* |
| Net cash flow used in financing activities | (232) | *Included Dividends paid of $204 million and $12 million repayments of the ECA senior secured facility* |
| Other movements | (7) | |
| Cash and cash equivalents at **30 June 2018** | 614 | |

- Net cash of $343 million at 30 June 2018 compared to $826 million at 31 December 2017
- Long-term ECA borrowing facility of $271 million at 30 June 2018 compared to $283 million at 31 December 2017

# THANK YOU

**Contact:**

**Isabel Green,** Investor Relations Director

eMail: isabel.green@subsea7.com
Direct Line +44 20 8210 5568
Website www.subsea7.com