

subsea 7



# Earnings Presentation

## Second Quarter

*August 14, 2013*

**12:00 noon UK time**

## Forward-looking statements

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Certain statements made in this announcement may include 'forward-looking statements'. These statements may be identified by the use of words like 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'may', 'plan', 'forecast', 'project', 'will', 'should', 'seek' and similar expressions. The forward-looking statements reflect our current views and assumptions and are subject to risks and uncertainties. The principal risks and uncertainties which could impact the Company and the factors affecting the business results are outlined in the 'Risk factors' section in the Company's Annual Report and Consolidated Financial Statements for the year ended 31 December 2012. These factors, and others which are discussed in our public filings, 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 ships on order and the timely completion of ship conversion programmes; the impact of laws and regulations; and operating hazards, including spills and environmental damage. Many of these factors are beyond our ability to control or predict. Given these factors, you should not place undue reliance on the forward-looking statements.

## Strong Q2 2013 results excluding Brazil

### HIGHLIGHTS

- High activity level and strong project execution drove good performance in NSC, AFGOM and APME
- Strong contribution from SapuraAcergy and SHL JVs
- Brazil impacted by additional \$300m Guar-Lula losses

### FINANCIAL

- Good net operating income margin in NSC (19.3%), AFGOM (19.9%) and APME (23.2%)
- Net operating income margin (2.4%) impacted by \$300m Guar-Lula loss provision
- Adjusted EBITDA of \$139m
- Net loss of \$13m

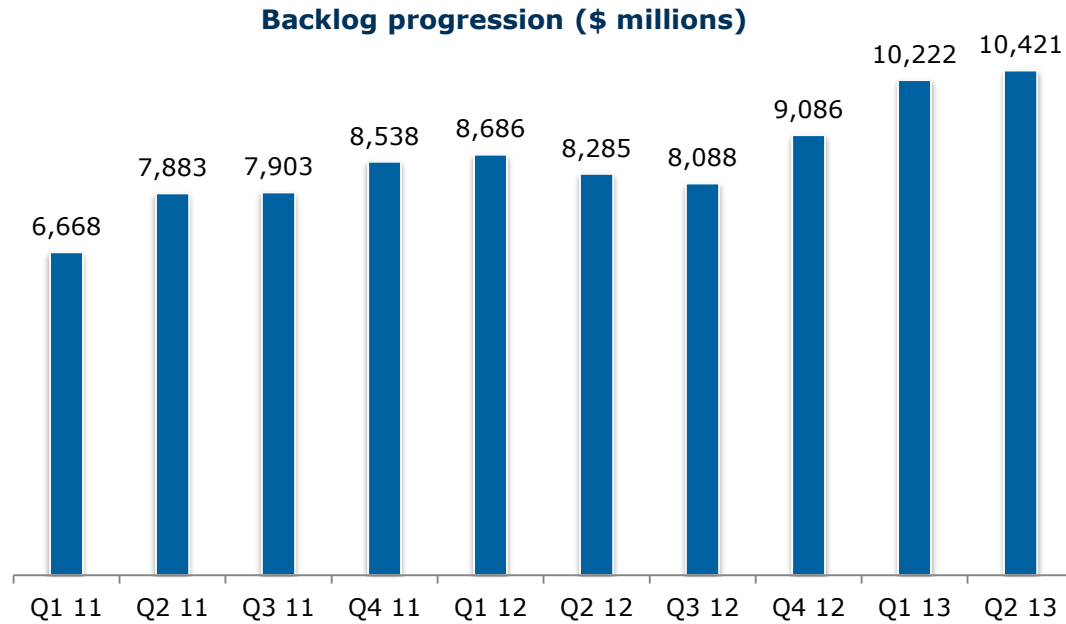
### OPERATIONAL

- Global vessel utilisation of 86%
- Orders placed for new Heavy Construction Vessel and three new-build PLSVs
- 71<sup>st</sup> bundle constructed at Wick, Scotland

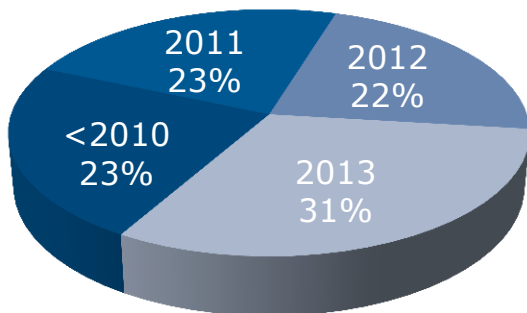
### ORDER IN-TAKE

- Record \$10.4bn backlog
- Awards announced in Q2: Mariner, Line 67, Heidelberg, *K3000* renewal, *Seven Phoenix* renewal
- \$2bn of awards announced so far in Q3: *Normand Seven* renewal, contracts for three new-build PLSVs

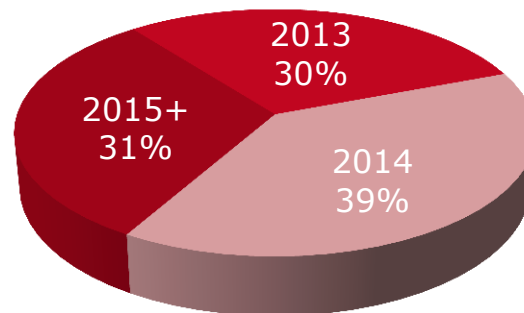
# Focused on building quality backlog



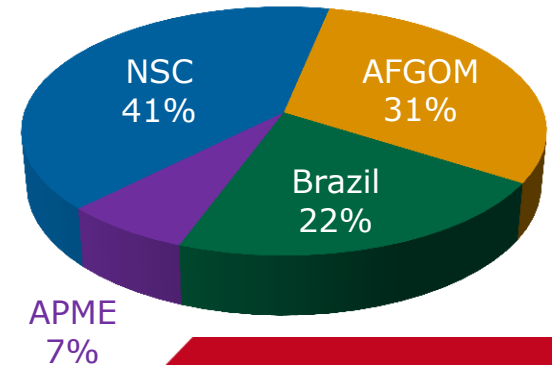
**Backlog by Award Date**



**Backlog by Execution Date**



**Backlog by Segment**



## Market overview

- Tendering activity remains high
- Some industry projects around the world postponed for various reasons
- We remain positive about medium and long-term market prospects
- Growth opportunities in all major markets, albeit at differing paces

### NSC

- Strong levels of tendering
- EPIC model gaining traction

### AFGOM

- West Africa: some long awaited projects sanctioned, uncertainty on timing of further market awards
- Gulf of Mexico: some project delays in US, growing activity in Mexico

### BRAZIL

- Petrobras has awarded new-build PLSV contracts, and is discussing renewal of existing PLSV contracts

### APME

- Increased activity but pricing conditions remain more challenging than in other territories

## Income statement – key highlights

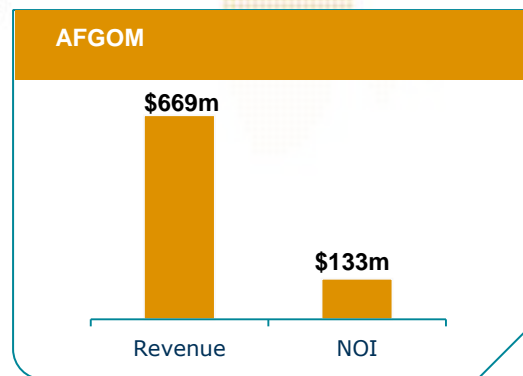
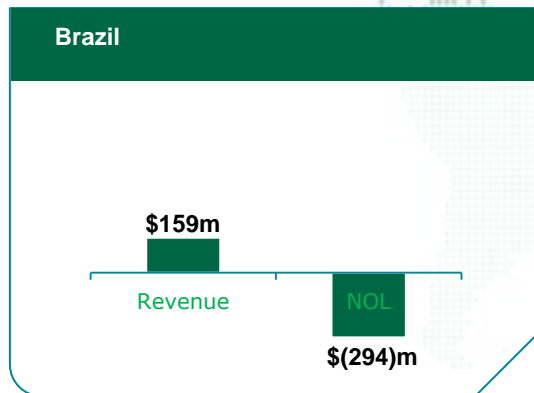
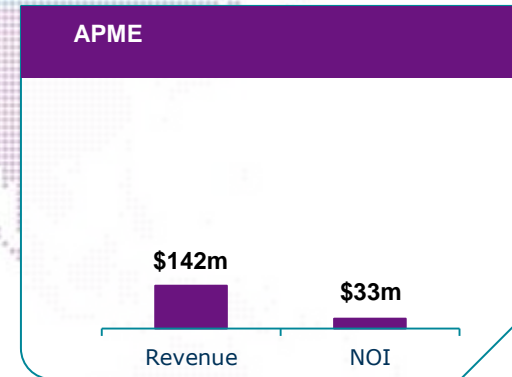
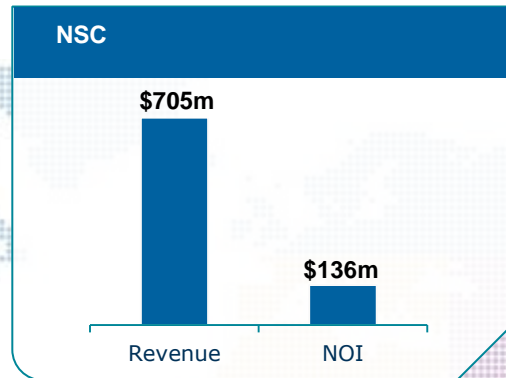
In \$ millions, unless otherwise indicated

	Three months ended		Six months ended	
	30 June 13	30 June 12	30 June 13	30 June 12
Revenue	1,681	1,484	3,148	2,942
Net operating income	41	246	195	400
Gain on sale of NKT Flexibles	-	220	-	220
Income before taxes	20	504	178	651
Taxation	(33)	(93)	(59)	(147)
Net (loss)/income	(13)	411	119	504
Adjusted EBITDA <sup>1</sup>	139	326	380	551
Adjusted EBITDA margin	8.3%	22.0%	12.1%	18.7%
Diluted earning per share <sup>2</sup>	\$(0.05)	\$0.52	\$0.34	\$0.77
Weighted average number of common shares <sup>3</sup>	332.0m	374.4m	350.0m	376.8m

<sup>1</sup> Adjusted EBITDA defined in Appendix <sup>2</sup> EPS for 2012 adjusted to exclude gain on disposal of Group's share of NKT Flexibles

<sup>3</sup> All convertible notes and share options were anti-dilutive in Q2 2013.

# Territory performance – Q2 2013



Note: excludes contribution from Corporate segment

## Income statement – supplementary details

In \$ millions, unless otherwise indicated

	Three months ended		Six months ended	
	30 June 13	30 June 12	30 June 13	30 June 12
Administrative expenses	(66)	(77)	(141)	(169)
Share of net income of associates and joint ventures	62	33	78	31
Net operating income	41	246	195	400
Finance costs net of finance income	(10)	(6)	(27)	(10)
Other gains and losses	(11)	263	11	261
Income before taxes	20	504	178	651
Taxation	(33)	(93)	(59)	(147)
Non-controlling interests	4	(2)	2	(1)
Net (loss)/income after non-controlling interests	(17)	413	116	505



## Overview of 1H 2013 cash flow

	<b>\$ millions</b>	
Cash and cash equivalents at 31 Dec 2012	1,288	
Net cash generated from operating activities	465	<i>Decrease in net operating assets of \$313m</i>
Net cashflow used in investing activities	(312)	<i>Capital expenditure of \$335m: Seven Waves, Simar Esperança, HCV</i>
Net cashflow used in financing activities	(298)	<i>\$158m repayment of Seven Havila loan, \$115m loan to JV to fund construction of Seven Viking</i>
Other movements	(58)	
Cash and cash equivalents at 30 June 2013	1,084	

## 2013 financial guidance

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- Excluding the \$300m Guar-Lula loss provision, we expect to deliver progress in Adjusted EBITDA compared to 2012
- Other net income related guidance
  - administrative expenses: \$330-350 million
  - share of net income of associates and JVs: \$85-95 million
  - net financing costs: \$45-50 million
  - depreciation and amortisation expense: \$380-400 million
  - underlying effective tax rate: 51%-54%
    - No tax benefit is assumed in respect of the Guar-Lula loss provision, due to the tax profile of the affected entities
- Capex: \$750-850 million comprising
  - \$425-475 million operating capex (includes sustaining capex, dry-docks, ROVs, shore based facilities)
  - \$325-375 million related to the construction or acquisition of vessels:
    - *Seven Waves* (new-build PLSV 1)
    - *Simar Esperana*
    - *Seven Falcon*
    - *Seven Kestrel* (new-build Dive Support Vessel)
    - new-build PLSVs 2, 3 and 4

## 2013 outlook by Territory

### NSC

- Normal seasonal vessel utilisation expected in Q4
- For backlog built in late 2012/early 2013 associated offshore activity will be largely post-2013
- *Seven Oceans*, one of the two pipelaying vessels active in the Territory in 2012, is transferring to Brazil for the majority of 2013



### AFGOM

- Good progress expected on recently awarded backlog (Ehra North, Lianzi) – offshore phase in 2014 & 2015 respectively
- Financial results expected to be driven by good project execution



## 2013 outlook by Territory

### Brazil

- Guará-Lula project is in the offshore installation phase. Progress will be impacted by weather until Q4. Project remains challenging
- Following renewal of PLSV contracts for *Kommandor 3000*, *Normand Seven* and *Seven Phoenix*, renewals of *Seven Mar* and *Condor* contracts are under discussion. *Lochnagar* to be disposed of in Q3



### APME

- SapuraAcergy JV active in the offshore phase of Gumusut in Malaysia
- Both Gorgon projects in Australia in offshore phase
- Tendering activity improving from low base



## New build vessels

### Pipelay Support Vessels - Seven Waves, PLSV 2, 3 and 4



- Delivery 2014-16
- 550t top tension VLS
- 4000t underdeck storage for flexibles

### Dive Support Vessel - Seven Kestrel



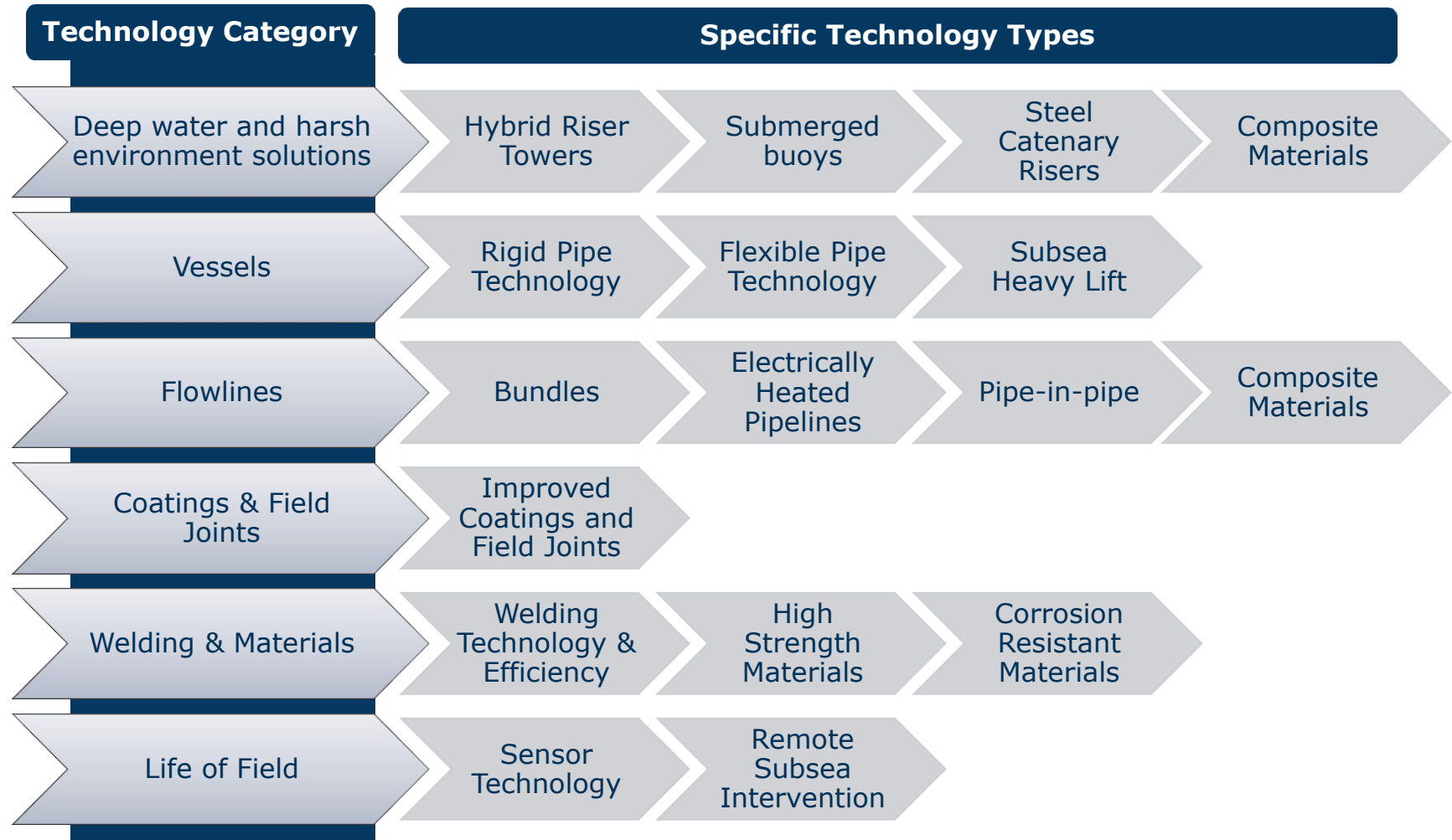
- Delivery 2015
- 18-man twin bell saturation diving system
- Heave compensated 120t crane
- DP Class 3

### Heavy Construction Vessel



- Delivery 2016
- 600t heave compensated crane
- 325t top tension VLS
- 7000t underdeck storage for Flexibles

# Technology focus



**Subsea 7 technology and know-how covers the entire range of activities**

# Technology focus - towed bundles

## Brief Description

Towed integrated assembly of flowlines and service lines/control cables etc. contained within an outer carrier pipe. Dedicated end terminations c/w manifolds, valves etc. as required by the project.

## Application

Mainly North Sea subsea production systems tie backs. Towed from our fabrication facility in Wick Scotland.

## Partners

Numerous technology companies partnering us with this solution.



1978

First Bundle installed in North Sea

1995

First use of BuBi® mechanical lined pipe – BP Cyrus project

2012

71 bundles installed to date with over 150km BuBi® pipe utilised

## Summary

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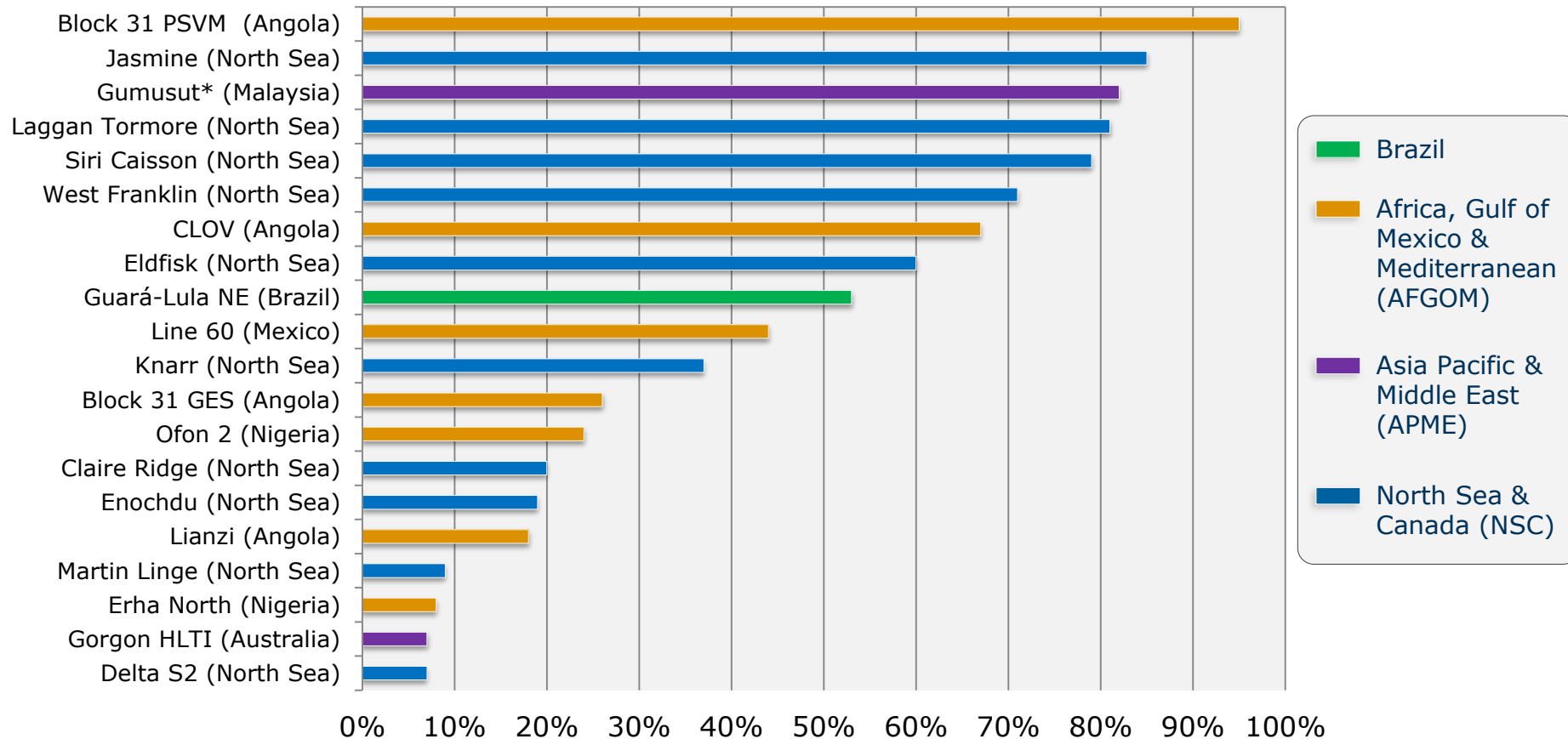
- Results in NSC, AFGOM and APME driven by good project execution
- Guar-Lula project in offshore installation phase
- Excluding the \$300m Guar-Lula loss provision, we expect to deliver progress in Adjusted EBITDA compared to 2012
- Record backlog above \$10bn
- Growth opportunities visible in all markets in spite of some industry projects being delayed or postponed
- Well positioned for the future:
  - engineering and project management skills
  - continued investment in high specification vessels
  - deployment of technology
  - operational track record
  - strong balance sheet



# Appendix

# Major project progression

Continuing projects >\$100m between 5% and 95% complete as at 30 June 2013  
excl. long-term ship charters and Life-of-Field day-rate contracts.



\* joint venture activity

## Segmental analysis

For the three months ended 30 June 2013

In \$ millions, Unaudited	AFGOM	APME	BRAZIL	NSC	CORP	TOTAL
Revenue	669.2	141.9	159.0	704.7	5.7	1,680.5
Net operating income/(loss) from ops	133.4	32.9	(293.6)	135.7	32.2	40.6
Finance income						6.9
Other gains and losses						(10.8)
Finance costs						(16.7)
Income before taxes						<b>20.0</b>

For the three months ended 30 June 2012

In \$ millions, Unaudited	AFGOM	APME	BRAZIL	NSC	CORP	TOTAL
Revenue	537.9	85.2	146.8	713.1	1.3	1,484.3
Net operating income/(loss) from ops	112.6	27.4	(3.9)	93.1	17.2	246.4
Finance income						4.0
Other gains and losses						263.3
Finance costs						(9.8)
Income before taxes						<b>503.9</b>

## Adjusted EBITDA

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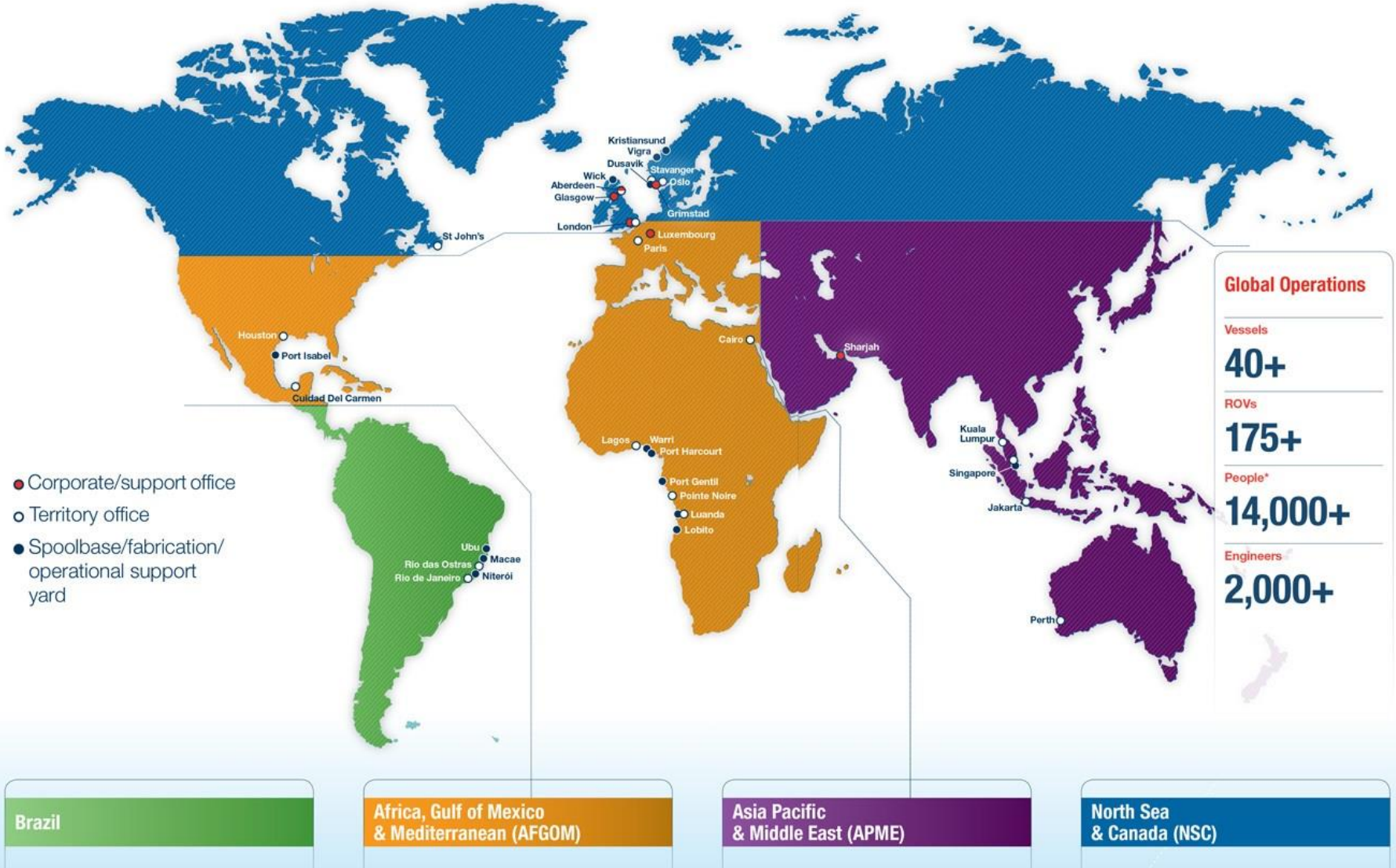
- Adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either year-on-year or with other businesses. The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

## Reconciliation of Adjusted EBITDA

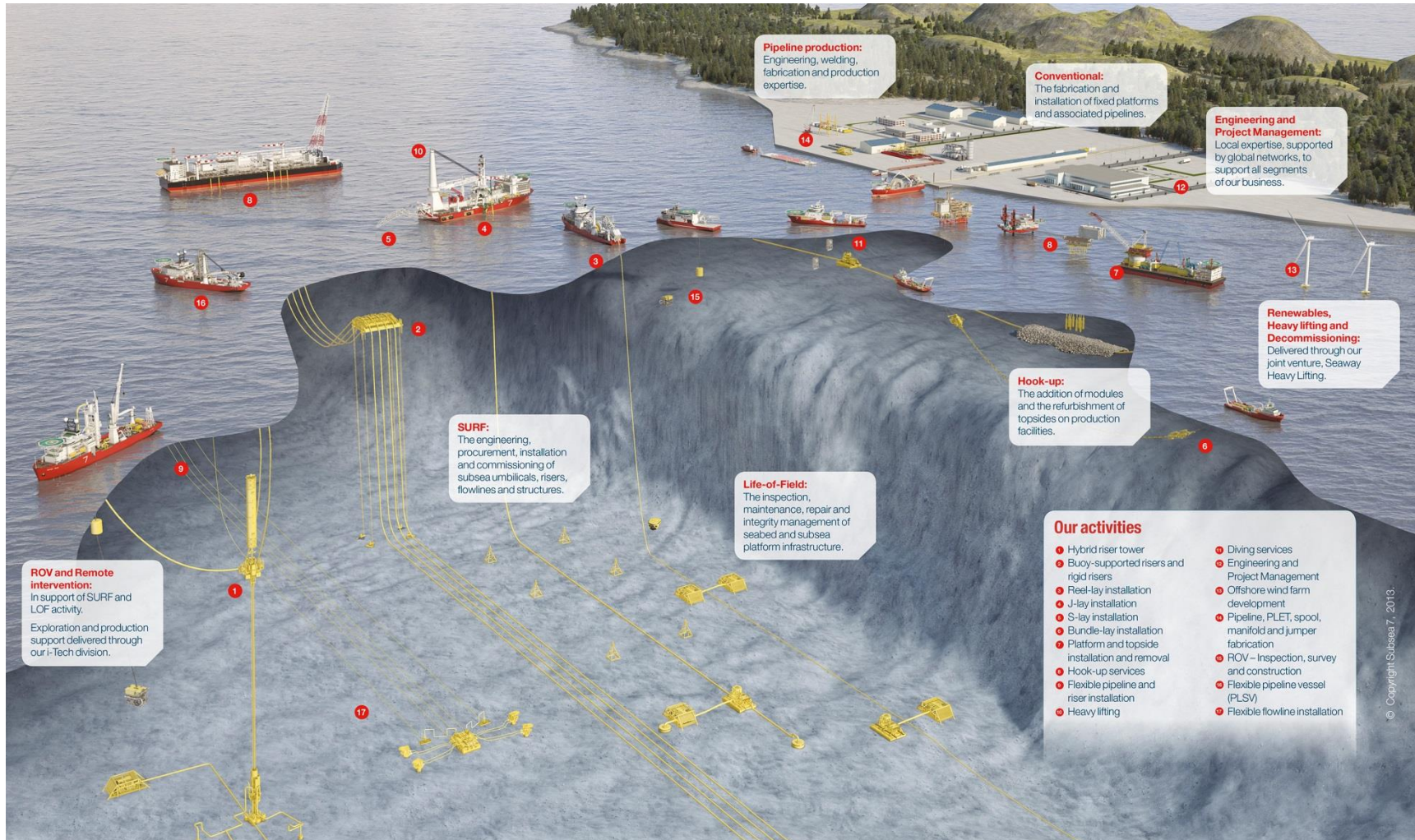
Net operating income to Adjusted EBITDA For the period (in \$millions)	Three Months Ended 30 June 2013 Unaudited	Three Months Ended 30 June 2012 Unaudited
Net operating income	40.6	246.4
Depreciation, amortisation and mobilisation	87.5	85.0
Impairment/(impairment reversal)	10.6	(5.4)
Adjusted EBITDA	138.7	326.0
Revenue	1,680.5	1,484.3
Adjusted EBITDA %	<b>8.3%</b>	<b>22.0%</b>

Net income to Adjusted EBITDA For the period (in \$millions)	Three Months Ended 30 June 2013 Unaudited	Three Months Ended 30 June 2012 Unaudited
Net income	(13.4)	410.9
Depreciation, amortisation and mobilisation	87.5	85.0
Impairment/(impairment reversal)	10.6	(5.4)
Finance income	(6.9)	(4.0)
Other gains and losses	10.8	(263.3)
Finance costs	16.7	9.8
Taxation	33.4	93.0
Adjusted EBITDA	138.7	326.0
Revenue	1,680.5	1,484.3
Adjusted EBITDA %	<b>8.3%</b>	<b>22.0%</b>

# Where we operate

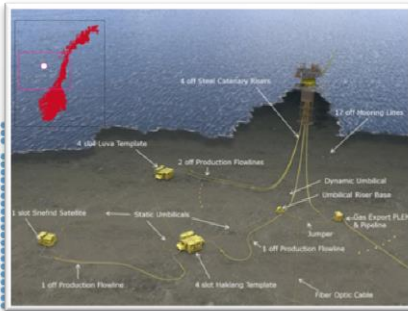


# A full range of subsea services



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## Aasta Hansteen Gas Field - Norway



- Technology-rich SURF project
- 1200m water depth, deepest in North Sea
- 300 km off northern Norway, harsh environment
- 1<sup>st</sup> SCRs (x4) in the Norwegian Sea, manufactured at Vigra spool base
- 1<sup>st</sup> installation of BUTTING Bubi® mechanically lined pipe by reeling in the North Sea – using the Seven Oceans
- New permanent office to be set up in Tromsø, Northern Norway



## Gorgon Heavy lift and Umbilicals - Australia



- Located 130km off the northwest coast of Western Australia
- The Gorgon project is one of the world's largest natural gas projects
- Heaviest and deepest subsea lifts in Subsea 7's history
  - 20 subsea structures and foundations (up to circa 1000Te), 15 heavy spools (up to circa 200Te), in water depths up to 1,300m
- Installation of the Gorgon (59km) and Jansz (136km) umbilicals

## CLOV Block 17 - Angola



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

# Technology focus - Hybrid riser tower (HRT)

## Brief Description

Tower assembly of multiple risers; manufactured onshore and installed by towing as a single structure

## Application

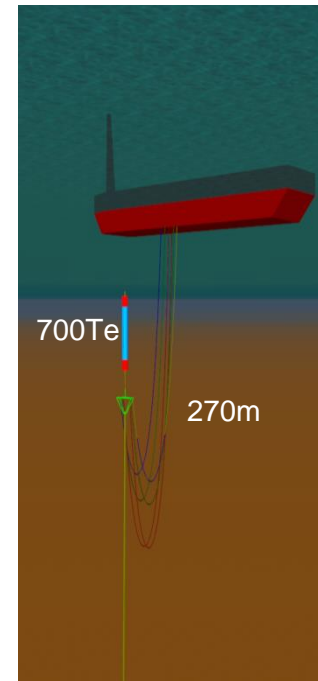
The HRT is applicable to most future deepwater developments.

Latest development targeted for greater depth and enhanced architecture

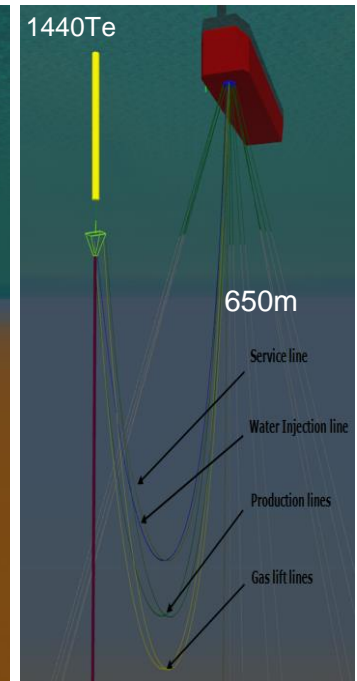
## Partners

Numerous key technology companies support us with this solution

## Total CLOV (1200msw)



## Prospect (2000msw)



1998

First Riser Tower installed on Girassol project

2012

Study initiated to apply technology to deeper water depths and to reduce costs

# Technology focus - Buoy supported riser (BSR)

## Brief Description

A submerged buoy anchored to the seabed.

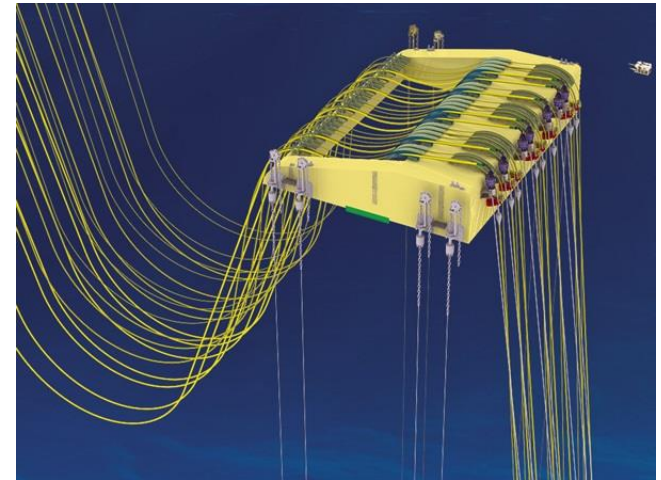
Steel Catenary Risers laid between seabed and buoy and flexible jumpers laid between buoy and FPSO.

## Application

The BSR is being installed on Guar-Lula NE project in Brazil

## Partners

Numerous technology companies partnering us with this solution



2009

Guar-Lula NE design competition



2009  
-  
2012

Concept design, engineering and fabrication



2013

Installation of buoy



# Technology focus - High-performance pipe-in-pipe

## Brief Description

A pipe-in-pipe system providing high thermal insulation for subsea oil and gas transportation. Utilisation of partial vacuum in combination with Isoflex insulation material

## Application

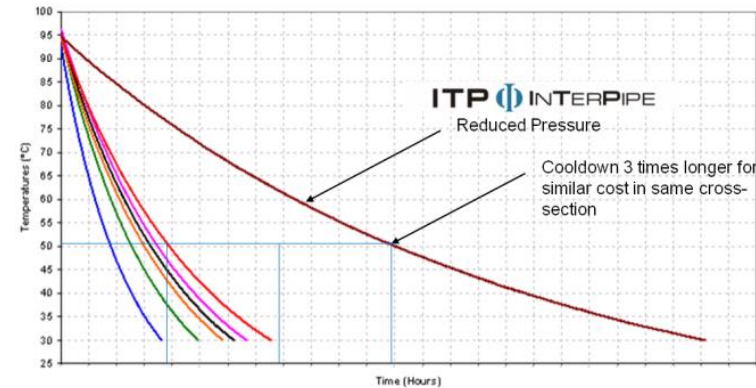
Subsea pipelines which require high thermal insulation such as long distance tie-backs

## Partners

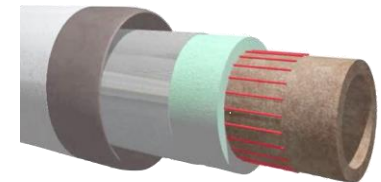
ITP - exclusive agreement



Post Bending Cooldown Test Results Comparison



PIP Sample



Electrically Heated PIP

2005  
-  
2008

Development and qualification of high performance pipe-in-pipe



2009  
-  
2011

Development of electrically heated pipe-in-pipe



2012

DNV Qualification "Fit for Service"



# Technology focus - Reel-lay of mechanically lined pipe (BuBi)

**Brief Description**


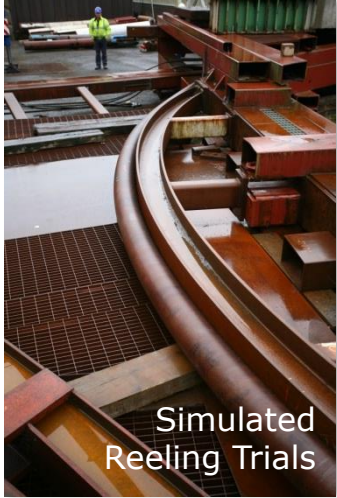
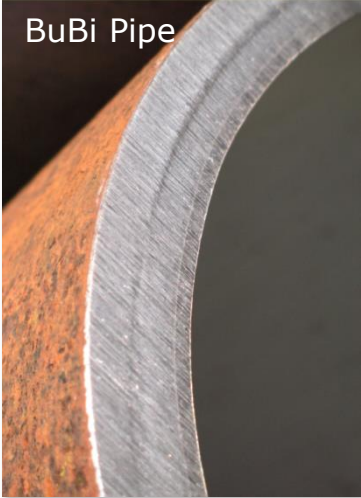
Use of BuBi® Mechanically Lined Pipe offers significant savings compared with Corrosion Resistant Alloy (CRA).

**Application**

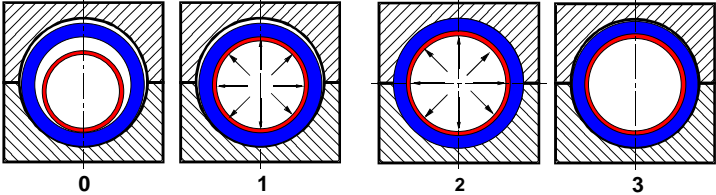
World's first award on a Petrobras Pre-Salt project (Guará-Lula), ongoing discussion with other clients.

**Partners**

BUTTING - exclusive agreement

Liner Expansion stages during construction



2008

Finite element analysis and reeling trials commenced

Q4 2011

Full scale fatigue testing performed

Q1 2012

DNV qualification "Fit for Service"



# Technology focus - Autonomous inspection vehicle (AIV)

**Brief Description**

A game changing inspection system comprising an autonomous vehicle without a tether (which enhances manoeuvrability), has an array of navigation tools and sensors and is powered by its onboard battery source

**Application**

Can be deployed from FPSO (avoiding the need for a separate support vessel), or multiple deployment from support vessel.

**Partners**

Seebyte technology




**2007 - 2010**

Early technology and feasibility evaluations



**2010 - 2011**

AIV development program started



**2012 - 2013**

Complete offshore trials and Mk1 ready for use



# Operational facilities

## Spoolbases

*Luanda Spoolbase, Angola*



*Ubu Spoolbase, Brazil*



*Wick Fabrication Site, UK*



*Port Isabel Spoolbase, USA*



*Vigra Spoolbase, Norway*



## Fabrication Yards

*Sonamet Lobito, Angola*



*Warri, Nigeria*



*NigerStar 7, Nigerdock, Nigeria*





# Rigid pipelay/Heavy lift assets

Seven Borealis



Seven Oceans



Seven Navica



Seven Polaris



Aceryg Antares



Stanislav Yudin\*



Sapura 3000\*\*



Oleg Strashnov\*



Heavy Construction Vessel \*\*\*



\* Operated by Seaway Heavy Lifting under JV

\*\* Operated by SapuraAceryg under JV

\*\*\* Under construction

# Construction/Vertical flexlay assets



\*\*\* Under construction

## Construction/Horizontal flexlay assets

*Subsea Viking*



*Aceryg Condor*



*Normand Seven*



*Kommandor 3000*



# Light construction/Life of field assets

Seven Viking



Havila Subsea



Acergy Petrel



Acergy Viking



Seisranger



Grant Candies



Normand Subsea



Chloe Candies



Ross Candies



Simar Esperança



Note: Seven Sisters renamed Simar Esperança

# Diving assets

*Seven Falcon*



*Seven Atlantic*



*Seven Pelican*



*Acergy Discovery*



*Seven Osprey*



*Seven Kestrel \*\*\**



*Rockwater 1*



*Rockwater 2*



\*\*\* Under construction

Note: *Acergy Osprey* renamed *Seven Osprey*, *Seven Havila* renamed *Seven Falcon*

## Other assets

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### Conventional

*Seven Inagha*



### Trenching

*Skandi Skansen*



**Over 175 ROVs**





seabed-to-surface

[www.subsea7.com](http://www.subsea7.com)