

SUBSEA 7 INC.

THIRD QUARTER REPORT 2009 - UNAUDITED

27 October 2009

Subsea 7 Inc. (Oslo Stock Exchange: SUB) today reports the results for the third quarter of 2009.

PERFORMANCE SUMMARY**Quarter Highlights**

- Strong project execution in all regions, delivering EBITDA of USD 140.1 million, equivalent to an EBITDA margin of 21.2%.
- Awarded three new significant contracts, valued at a combined total in excess of USD 480 million.
- Launched a private placement of USD 275 million of convertible notes. The notes were issued and proceeds received post-quarter.
- Efficiencies being realised from cost-cutting initiatives that have been implemented.

Post Quarter Highlights

- Awarded an engineering, procurement, installation and commissioning contract for Petrobras in respect of the P-55 development in the Roncador field offshore Brazil. The contract is valued in excess of USD 200 million.

Financial Results

The Group's accounts are prepared in accordance with International Financial Reporting Standards (IFRS).

<i>In USD millions</i>	Three months ended		Year to date	
	30/09/2009	30/09/2008	30/09/2009	30/09/2008
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	661.0	628.6	1,901.1	1,789.7
Adjusted EBITDA	140.1	164.8	395.9	419.0
Net operating profit	107.8	136.0	307.6	351.9
Profit before tax	121.3	98.8	320.2	303.5
Net profit attributable to equity shareholders	86.6	65.7	223.9	207.1
<u>Earnings per share, in USD per share</u>				
Earnings per share, basic	0.59	0.45	1.52	1.41
Earnings per share, diluted	0.58	0.43	1.52	1.36

OPERATIONS**North Sea**

The North Sea region performed well during the quarter.

Centrica's Grove and Venture's Channon/Barbarossa projects were substantially completed.

The *Seven Navica* completed StatoilHydro's Vega and Troll O2 pipelines along with the pipelay scope of Venture's F3-FA project in the Netherlands. Following these campaigns, the vessel commenced a planned drydock.

In Norway, four of the Company's construction vessels, including the *Seven Seas* and *Seven Sisters*, were working on umbilical lay, riser installation and tie-ins on BP's Valhall Re-Development, and StatoilHydro's Vega, Troll O2, Snorre Riser and Vigdis Riser projects.

The Vigra spoolbase was busy with the fabrication of the clad pipeline for BP Skarv.

Inspection, Repair and Maintenance (IRM) operations continued on the Shell, ConocoPhillips, Total and BP frame agreements.

Africa

Operations continued on BP's Block 18 Life of Field project, offshore Angola, while the *Skandi Neptune* completed Mobil Equatorial Guinea Inc.'s Serpentina project in Equatorial Guinea.

Project management and engineering continued in respect of BP's Block 31 contract and commenced in respect of the newly awarded Block 18 Gas Export Line contract.

During the quarter, additional income was recognised in respect of Chevron's Tombua Landana and Addax's Okwori projects as a result of the settlement of variation orders and releases of contingency.

Brazil

The Brazil region had another busy quarter.

Offshore installation was completed on both Shell's BC-10 and Petrobras' Roncador projects.

The *Normand Seven* commenced the flexible pipeline installation phase of StatoilHydro's Peregrino project.

Petrobras' Sul Capixaba and Hybrid Steel pipeline installations were completed by the *Seven Oceans* and final pre-commissioning is ongoing.

Pipeline fabrication operations on Petrobras' Tambau Urugua project were ongoing at the Ubu spoolbase.

The *Lochnagar* and *K3000* continued to support Petrobras on day-rate operations. During the quarter, the Company booked a provision of \$29.5 million for losses which are expected to arise during the remaining periods of these construction contracts.

North America

Engineering and project management continued on Petrobras' Cascade project and the *Skandi Neptune* commenced its mobilisation for offshore operations.

The Port Isabel spoolbase continued with pipeline fabrication operations on Marathon's Droszky project during the quarter, with offshore installation scheduled to be undertaken during the fourth quarter of 2009.

Asia Pacific

During the quarter, the *Rockwater 2* supported Woodside's Enfield development in Australia.

ConocoPhillips' Xijiang project was successfully completed in the South China Sea.

Engineering and project management commenced on Santos' Henry project with the *Seven Navica* due to arrive in the region towards the end of the fourth quarter of 2009.

INVESTMENTS

During the quarter, the Company continued to hold investments in listed equity shares and debt securities.

At 30 September 2009, these investments were treated as 'Available-for-sale financial assets' and were marked-to-market in the balance sheet, giving rise to an increase in their carrying value during the quarter of USD 26.5 million (YTD increase of USD 73.9 million). USD 16.7 million of this increase in the quarter (USD 44.2 million YTD) has been reflected directly in Shareholders' equity. The remaining USD 9.8 million (USD 29.7 million YTD), which reflects the remeasurement at fair value of the embedded option contained within the debt securities, is included in the consolidated income statement.

FINANCING

On 30 September 2009, the Company repurchased USD 25 million (par value) of the USD 300 million 2.8% Subsea 7 Inc. convertible notes due 2011 for USD 24.06 million, or 96.2% of the par value. USD 1.1 million of the repurchase price has been treated as payment for the equity component of the note and has been recognised within equity. In addition a gain on repurchase of the liability component of USD 0.2 million has been included within finance income in the consolidated income statement.

In September 2009, the Company announced the pricing of its private placement of USD 275 million convertible notes. The notes have an annual coupon of 3.5% and are convertible into common shares of the Company at a conversion price of USD 17.98, representing a conversion premium of 37.5%. The reference price of the Company's common shares has been set at USD 13.08 and the total number of new common shares to be issued, if all the notes are converted, would be 15,294,772. The notes are redeemable at 100% of their principal amount and will, unless converted or purchased and cancelled, mature in October 2014. The notes were issued and proceeds received on 13 October 2009.

In September 2009, the outstanding loan balance due to Siem Industries Inc. was repaid and following the quarter end, the revolving credit facility was cancelled. The remaining undrawn loan facilities available to the Company at the date of this report total USD 250 million.

FINANCIALS

Third Quarter 2009

Revenue for the third quarter 2009 was USD 661.0 million compared to USD 628.6 million for the same period in 2008.

Net operating profit for the third quarter 2009 was USD 107.8 million compared to USD 136.0 million for the same period in 2008. Net operating margins as a percentage of revenue were 16.3% in the third quarter 2009 compared to 21.6% in the third quarter 2008. One of the main reasons for this difference is the provision that was booked in Brazil in respect of anticipated losses which are expected to arise during the remaining periods of the *Lochnagar* and *K3000* construction contracts.

Net financial income for the third quarter 2009 was USD 11.4 million compared to net financial expense of USD 38.1 million for the third quarter 2008. The main reasons for this difference are gains made in the marking-to-market of derivative financial instruments during the quarter of USD 14.9 million (of which USD 9.8 million relates to the remeasurement at fair value of the embedded option contained within the available-for-sale financial assets) compared with losses of USD 15.4 million in the third quarter 2008. Additionally, net currency gains of USD 3.3 million were recognised during the quarter compared to losses of USD 15.1 million in the third quarter 2008.

Taxation expense for the third quarter 2009 was USD 34.7 million which equates to an effective rate of 28.6%.

Net profit attributable to equity shareholders for the third quarter 2009 was USD 86.6 million, or USD 0.59 per share, compared to a net profit of USD 65.7 million, or USD 0.45 per share, for the third quarter 2008.

CAPITAL EXPENDITURE

The construction of the diving support vessel *Seven Atlantic* continued to progress during the quarter. Work continues on commissioning the vessel and final installation and commissioning of the dive system. The vessel is scheduled for delivery in the fourth quarter of 2009.

Construction of the new-build pipelay and construction vessel to be named *Seven Pacific* also progressed during the quarter with steel fabrication and piping systems now well underway. The vessel is scheduled for delivery in the fourth quarter of 2010.

SHARE CAPITAL

During the quarter, 42,500 share options were exercised under the Company's share option plan at a strike price of NOK 29.49 per share.

The Company had 146,961,880 shares issued and outstanding at 30 September 2009.

BACKLOG

The Group was awarded new contracts, including commitments under frame agreements, of an aggregate amount of USD 800 million during the quarter. The worldwide order book of the Group at 30 September 2009 was approximately USD 3.0 billion, comprised of approximately USD 2.2 billion of day-rate contracts and USD 800 million of lump-sum contracts.

MAJOR NEW CONTRACTS SINCE 1 JULY 2009

In July 2009, the Company announced that it had been awarded a pipeline engineering, construction and installation contract in Angola, offshore West Africa. The contract was subsequently confirmed as being for a gas export pipeline for BP and is valued in excess of USD 150 million.

In September 2009, the Company announced that it had been awarded a contract by Petrobras for its pipelay vessel *Normand Seven*. The contract is for the exclusive use of the vessel for a period of four years and is valued in excess of USD 250 million.

In September 2009, the Company announced that it had been awarded a major subsea pipeline and installation services contract by Santos Limited for the Casino-Henry field, offshore Victoria, Australia. The contract is valued in excess of USD 80 million.

In October 2009, the Company announced that it had been awarded an engineering, procurement, installation and commissioning contract by Petrobras for the P-55 development in the Roncador field, offshore Brazil. The contract is valued in excess of USD 200 million.

OUTLOOK

The market outlook remains largely unchanged from that reported in the second quarter of 2009, although the award of a number of significant contracts during the past quarter has been positive.

In the short-term, the market continues to remain challenging and the Company's ongoing focus on cost-reduction and the supply chain efficiencies is helping mitigate the impact of reduced volumes of available work.

The medium to long-term outlook continues to be positive and the Company is confident that the actions it is taking in the current market will enable it to remain competitive and well-positioned going forward.

**On behalf of the Board of Directors of Subsea 7 Inc.
27 October 2009**

Kristian Siem, Chairman

www.subsea7.com

CONSOLIDATED INCOME STATEMENT

Income Statement <i>(Amounts in USD 1,000)</i>	3Q 2009 <i>Unaudited</i>	3Q 2008 <i>Unaudited</i>	Year to date 30/09/2009 <i>Unaudited</i>	Year to date 30/09/2008 <i>Unaudited</i>	Full year 2008 <i>Audited</i>
Revenue	661,043	628,611	1,901,100	1,789,658	2,373,252
Operating expenses	(523,039)	(464,804)	(1,510,804)	(1,376,942)	(1,864,331)
Depreciation, amortisation and impairments	(30,244)	(27,846)	(83,288)	(71,852)	(95,300)
Profit on disposal of property, plant and equipment	-	22	613	11,058	11,671
Net operating profit	107,760	135,983	307,621	351,922	425,292
Changes in fair value of derivative financial instruments	14,909	(15,399)	50,054	(16,890)	(34,177)
Net currency gain/(loss)	3,308	(15,115)	(3,786)	(18,583)	18,761
Finance income	1,849	964	7,321	4,637	5,881
Finance expense	(8,675)	(8,598)	(46,567)	(23,920)	(33,014)
Net financial items	11,391	(38,148)	7,022	(54,756)	(42,549)
Share of post-tax profit from joint ventures	1,967	1,110	4,960	6,096	11,768
Share of post-tax profit/(loss) from associates	168	(108)	630	227	(8)
Profit before tax	121,286	98,837	320,233	303,489	394,503
Taxation expense	(34,687)	(33,157)	(96,350)	(96,406)	(130,506)
Net profit attributable to equity shareholders	86,599	65,680	223,883	207,083	263,997
Average number of issued shares (1,000)	146,945	146,909	146,926	146,947	146,938
Earnings per share, in USD per share	0.59	0.45	1.52	1.41	1.80
Average number of issued shares, diluted (1,000)	164,293	164,948	158,004	165,023	164,975
Earnings per share, diluted, in USD per share	0.58	0.43	1.52	1.36	1.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in USD 1,000)</i>	3Q 2009 Unaudited	3Q 2008 Unaudited	Year to date 30/09/2009 Unaudited	Year to date 30/09/2008 Unaudited	Full year 2008 Audited
Net profit attributable to equity shareholders	86,599	65,680	223,883	207,083	263,997
Other comprehensive income/(expense):					
Currency translation differences	(6,273)	(72,764)	79,773	(82,603)	(302,219)
Available-for-sale financial assets – fair value adjustment	16,694	(57,104)	44,151	(57,104)	(71,801)
	10,421	(129,868)	123,924	(139,707)	(374,020)
Total comprehensive income/(expense) for the period	97,020	(64,188)	347,807	67,376	(110,023)

CONSOLIDATED BALANCE SHEET

<i>(Amounts in USD 1,000)</i>	At 30/09/2009	At 30/09/2008	At 31/12/2008
	Unaudited	Unaudited	Audited
ASSETS			
Non-current assets			
Goodwill	98,533	98,533	98,533
Other intangible assets	757	1,335	1,130
Property, plant and equipment	1,167,391	1,122,000	991,408
Derivative financial instruments	2,722	-	-
Deferred tax assets	18,069	4,015	15,113
Retirement benefit asset	-	170	-
Investment in joint ventures	11,497	6,910	12,582
Investment in associates	2,231	1,836	1,601
	1,301,200	1,234,799	1,120,367
Current assets			
Inventories	27,439	13,755	22,567
Trade and other receivables	795,715	758,738	659,097
Available-for-sale financial assets	159,317	107,613	85,414
Derivative financial instruments	9,386	5,288	1,483
Cash and cash equivalents	195,166	41,384	114,066
	1,187,023	926,778	882,627
TOTAL ASSETS	2,488,223	2,161,577	2,002,994
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1,470	1,469	1,469
Share premium reserve	271,468	271,238	271,238
Shares held by Employee Share Trust	(9,430)	-	(9,430)
Other reserves	(113,099)	9,643	(225,650)
Retained earnings	889,457	592,855	652,039
	1,039,866	875,205	689,666
Non-current liabilities			
Borrowings	342,369	556,103	559,737
Deferred tax liabilities	99,259	79,416	99,610
Retirement benefit obligations	1,189	-	1,002
Derivative financial instruments	878	-	-
Other non-current liabilities	4,251	4,321	4,237
	447,946	639,840	664,586
Current liabilities			
Trade and other payables	772,883	600,039	605,358
Current tax liabilities	56,903	41,817	32,728
Borrowings	170,524	-	-
Derivative financial instruments	101	4,676	10,656
	1,000,411	646,532	648,742
Total liabilities	1,448,357	1,286,372	1,313,328
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,488,223	2,161,577	2,002,994

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(Amounts in USD 1,000)</i>	Share capital	Share premium	Shares held by Employee Share Trust	Other reserves	Retained earnings	Total
At 1 January 2009 (Audited)	1,469	271,238	(9,430)	(225,650)	652,039	689,666
Foreign currency translation	-	-	-	79,773	-	79,773
Available-for-sale financial assets – fair value adjustment	-	-	-	44,151	-	44,151
Other comprehensive income	-	-	-	123,924	-	123,924
Net result for the period	-	-	-	-	223,883	223,883
Total comprehensive income	-	-	-	123,924	223,883	347,807
Share based payments	-	-	-	-	3,308	3,308
Shares issued – exercise of options	1	230	-	-	-	231
Repurchase of convertible notes	-	-	-	(8,435)	7,289	(1,146)
Depreciation on re-valued assets	-	-	-	(2,938)	2,938	-
At 30 September 2009 (Unaudited)	1,470	271,468	(9,430)	(113,099)	889,457	1,039,866
At 1 January 2008 (Audited)	1,477	286,508	-	152,362	379,410	819,757
Foreign currency translation	-	-	-	(82,603)	-	(82,603)
Available-for-sale financial assets – fair value adjustment	-	-	-	(57,104)	-	(57,104)
Other comprehensive expense	-	-	-	(139,707)	-	(139,707)
Net result for the period	-	-	-	-	207,083	207,083
Total comprehensive (expense)/income	-	-	-	(139,713)	207,083	67,376
Purchase of own shares	(9)	(15,707)	-	-	-	(15,716)
Share based payments	-	-	-	-	3,350	3,350
Shares issued – exercise of options	1	437	-	-	-	438
Depreciation on re-valued assets	-	-	-	(3,012)	3,012	-
At 30 September 2008 (Unaudited)	1,469	271,238	-	9,643	592,855	875,205

CONSOLIDATED CASH FLOW STATEMENT

	Year to date 30/09/2009	Year to date 30/09/2008	Full year 2008
<i>(Amounts in USD 1,000)</i>	Unaudited	Unaudited	Audited
Cash flows from the operating activities			
Cash generated from operations	393,111	358,275	590,414
Finance income received	3,707	4,990	6,237
Finance expense paid	(6,802)	(5,118)	(10,578)
Taxation paid	(75,482)	(80,923)	(115,016)
Net cash from operating activities	314,534	277,224	471,057
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	815	25,458	26,073
Purchase of property, plant and equipment	(181,208)	(385,990)	(449,282)
Purchase of available-for-sale financial assets	-	(179,381)	(179,381)
Dividends received	7,136	-	-
Net cash used in investing activities	(173,257)	(539,913)	(602,590)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	231	438	438
Purchase of own shares	-	(15,716)	(15,716)
Shares purchased by Employee Share Trust	-	-	(9,430)
(Repayment)/drawdown of loans	(50,000)	150,000	150,000
Government grants received	-	-	15
Repurchase of convertible notes	(11,025)	-	-
Finance lease principal payments	-	(394)	(394)
Net cash from financing activities	(60,794)	134,328	124,913
Effects of exchange rate changes	617	2,088	(46,971)
Net increase/(decrease) in cash and cash equivalents	81,100	(126,273)	(53,591)
Cash and cash equivalents at start of period	114,066	167,657	167,657
Cash and cash equivalents at end of period	195,166	41,384	114,066

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The condensed consolidated financial information for the period 1 January to 30 September 2009 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, but has not been audited or reviewed. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008 which have been prepared in accordance with IFRSs as adopted by the European Union.

2. Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements. In addition the following new standards, amendments to standards and interpretations have been adopted from 1 January 2009:

Improvements to IFRSs	
IAS 39 and IFRS 7	'Reclassification of Financial Assets'
IFRS 2 (Amendment)	'Share Based Payment – vesting conditions and cancellations'
IFRS 8	'Operating Segments'
IAS 1 (Revised)	'Presentation of Financial Statements'
IAS 23	'Borrowing Costs' (Revised)
IAS 27	'Consolidated and Separate Financial Statements – Cost of an investment in a subsidiary, jointly controlled entity or associate (Amendments)'

As a result of the adoption of IAS 1 (Revised) and IFRS 8, the Group has made some presentational changes to the interim statements. As a result of the adoption of IFRS 8, the Group has reviewed its reportable segments. The segments presented under IFRS 8 have not changed from those presented as primary segments under IAS 14.

The Group has updated its accounting policy in respect of borrowing costs to include requirements of IAS 23 to capitalise attributable interest on assets which necessarily take a substantial period of time to get ready for their intended use or sale. This has had no material impact in the quarter.

The adoption of the remaining standards, amendments to standards and interpretations above had no impact on the reported income or net assets of the Group in the quarter.

3. Segment reporting

<i>(Amounts in USD 1,000)</i>	North Sea	Africa	Brazil	North America	Asia Pacific	Global	Total
3Q 2009 (Unaudited)							
Revenue	334,191	65,498	204,738	27,313	29,290	13	661,043
Profit before tax	74,099	23,643	7,098	8,545	4,786	3,115	121,286
3Q 2008 (Unaudited)							
Revenue	335,273	109,782	119,941	32,485	31,130	-	628,611
Profit/(loss) before tax	92,944	27,390	316	11,380	10,643	(43,836)	98,837
Year to date 2009 (Unaudited)							
Revenue	858,604	202,668	707,304	78,733	53,778	13	1,901,100
Profit/(loss) before tax	175,295	76,520	46,452	28,569	(1,332)	(5,271)	320,233
Year to date 2008 (Unaudited)							
Revenue	829,266	363,503	412,450	122,463	61,918	58	1,789,658
Profit/(loss) before tax	203,171	78,535	25,763	31,924	34,837	(70,741)	303,489

The "Global" segment comprises the global support functions, including the vessel and equipment management group which is responsible for the management and maintenance of the vessels and equipment. Finance income and expense, derivative instrument fair value changes, net currency items, profits or losses on disposals of property, plant and equipment and share of profits from associates are also allocated to this segment.

4. Cash flow from operating activities

<i>(Amounts in USD 1,000)</i>	Year to date 30/09/2009 Unaudited	Year to date 30/09/2008 Unaudited	Full year 2008 Audited
Net profit attributable to equity shareholders	223,883	207,083	263,997
Adjustments for:			
Taxation expense	96,350	96,406	130,506
Depreciation and amortisation	83,288	71,852	95,300
Share based payments	3,308	3,350	4,640
Profit on disposal of property, plant and equipment	(613)	(11,058)	(11,671)
Deferred government grant income	(15)	(19)	(39)
Dividend income	(944)	-	-
Finance income	(6,377)	(4,637)	(5,881)
Finance expense	46,567	23,920	33,014
(Gain)/loss on embedded derivative within convertible notes	(29,752)	14,664	22,166
Share of post tax profit from joint ventures	(4,960)	(6,096)	(11,768)
Share of post tax profit from associates	(630)	(227)	8
<i>Changes in working capital (excluding effects of acquisitions and disposal of subsidiaries):</i>			
(Increase)/decrease in inventories	(4,872)	11,454	2,642
(Increase)/decrease in trade and other receivables	(147,243)	(100,121)	3,325
Increase in trade and other payables	135,121	51,704	64,175
Cash generated from operations	393,111	358,275	590,414

5. Adjusted EBITDA

	Three months ended		Year to date	
	30/09/2009	30/09/2008	30/09/2009	30/09/2008
<i>(Amounts in USD 1,000 except percentages)</i>	Unaudited	Unaudited	Unaudited	Unaudited
Net profit attributable to equity shareholders	86,599	65,680	223,883	207,083
Adjustments:				
Taxation expense	34,687	33,157	96,350	96,406
Net financial items	(11,391)	38,148	(7,022)	54,756
Depreciation, amortisation and impairments	30,244	27,846	83,288	71,852
Profit on disposal of property, plant and equipment	-	(22)	(613)	(11,058)
Adjusted EBITDA	140,139	164,809	395,886	419,039
Revenue	661,043	628,611	1,901,100	1,789,658
Adjusted EBITDA %	21.2%	26.2%	20.8%	23.4%

The Company calculates "Adjusted EBITDA" (adjusted earnings before interest, taxation, depreciation and amortisation) as net profit attributable to equity shareholders adjusted for taxation, net financial items, depreciation, amortisation, impairments and profits or losses on disposals of property, plant and equipment.

6. Contingent liabilities

The Group is party to indemnities, legal actions and claims that arise in the ordinary course of business. Whilst the outcome of such legal proceedings cannot be readily foreseen, management believes that they will be resolved without material effect on the Group's results, financial position or liquidity.

7. Events occurring after the balance sheet date

On 13 October 2009, the Company received net proceeds of USD 272.9 million for the issuance of its private placement of USD 275 million 3.5% coupon convertible notes due 2014. The notes are convertible into common shares of the Company at a conversion price of USD 17.98, representing a conversion premium of 37.5%.