
ANNUAL
REPORT
2013

Subsea 7 is one of the world's leading global contractors in seabed-to-surface engineering, construction and services to the offshore energy industry.

We provide technical solutions to enable the delivery of complex projects in all water depths and challenging environments.

Our vision is to be acknowledged by our clients, our people and our shareholders as the leading strategic partner in our market.

2013 Summary

Highlights

- Good project execution and progress across the business portfolio, excluding Guará-Lula NE project in Brazil
- Turnaround strategy launched and implemented to return Brazil business to profitability
- Extensive frame agreements and day-rate activities secured in NSC and Brazil.

Financial

- Adjusted EBITDA negatively impacted by $355 million full-life loss provision on Guará-Lula NE project
- Financial position remains strong; convertible notes redeemed in Q4
- Cash dividend and share repurchase programme enhanced returns to shareholders.

Operational

- Global vessel utilisation of 81% and the *Seven Borealis* close to full utilisation
- Continued improved offshore safety with 85% of vessels operating without incident
- Six new vessels under construction, including a high-performance heavy construction vessel, the *Seven Arctic*
- New offices in northern Norway (Tromsø) and Portugal (Lisbon).

Order intake

- Record $11.8 billion backlog achieved, of which over 80% are SURF projects
- Awarded technically advanced Aasta Hansteen SURF Project north of the Arctic Circle
- Awarded three five-year contracts to operate new PLSVs in Brazil
- Awarded major EPIC contracts in Australia, Ghana, Gulf of Mexico, Nigeria and the North Sea.

Front cover: The *Seven Borealis*, our new Rigid Pipelay/Heavy Lift vessel, in S-lay mode offshore Nigeria, laying a 12-inch concrete-coated gas export line. The image shows the vessel's stern-mounted stinger (see Glossary on pages 112-115) guiding the pipeline down to the seabed.

2013 Financial Highlights

Revenue
$6,297m
(2012: $6,297m)

Revenue by Territory*

AFGOM	$2,454m
APME	$498m
BRAZIL	$814m
NSC	$2,514m
CORPORATE (CORP)	$17m

Revenue by market segment**

SURF	$4,559m
Conventional/Hook-up	$736m
Life-of-Field	$777m
i-Tech	$225m

Adjusted EBITDA***
$981m
(2012: $1,139m)

Cash and cash equivalents
$650m
(2012: $1,288m)

Net income
$350m
(2012: $847m)

Earnings per share (diluted)
$0.99
(2012: $2.23)

Backlog
$11,770m
(2012: $9,086m)

Backlog by Territory

AFGOM	$2,952m
APME	$757m
BRAZIL	$4,312m
NSC	$3,749m

Backlog by year of execution

2014	$5,761m
2015	$2,535m
2016	$1,291m
2017 – 2022	$2,183m

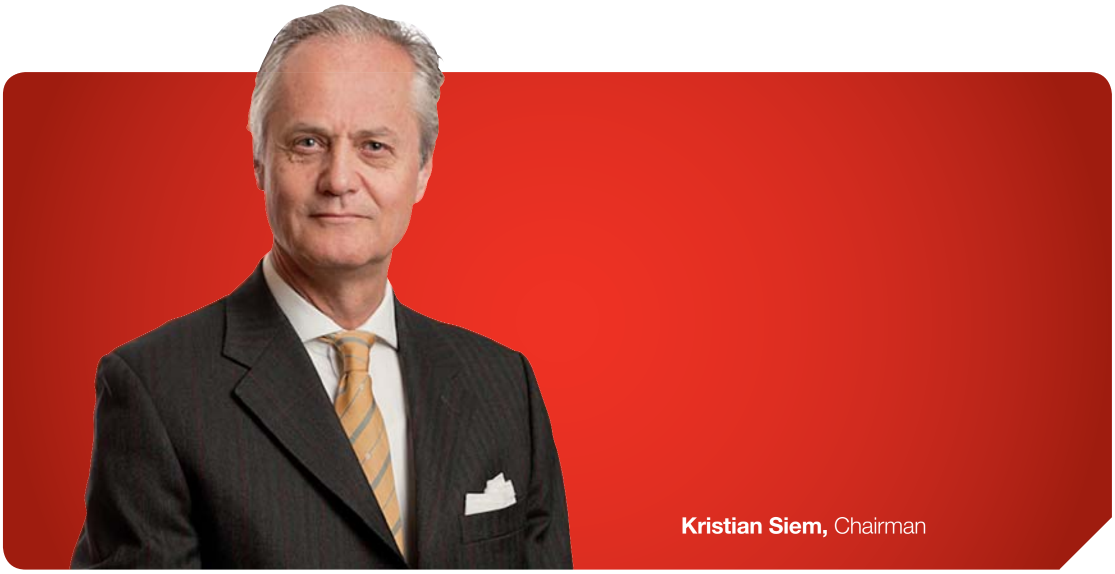
* For definitions of Territories, refer to page 70.

** For explanations of market segments, refer to page 4.

*** For explanations and reconciliations of Adjusted EBITDA, refer to page 109.

For definition of terms refer to Glossary on pages 112 to 115.

CHAIRMAN'S STATEMENT



Kristian Siem, Chairman

"Short-term market growth has tempered but we continue to build for exciting deepwater prospects"

Our Values

Safety
We are committed to an incident-free workplace, every day, everywhere. We continue to minimise the impact of our activities on the environment.

Integrity
We apply the highest ethical standards to everything we do. We believe that by treating our clients, people and suppliers fairly and with respect, we will earn their trust and build sustainable success together.

Innovation
We constantly strive to improve the efficiency of our business by investing in the development of our people and through innovation in technology, operations and processes.

Performance
We are predictable and reliable in our performance. We always strive for excellence in everything we do in order to achieve superior business results.

Collaboration
We are locally sensitive and globally aware. Our people work together, leveraging our global know-how and capabilities to build sustainable local businesses.

To the shareholders of Subsea 7 S.A.
Subsea 7 S.A. consolidated its position in 2013 as a global leader in the seabed-to-surface engineering, construction and services market, ending the year with a record order backlog of $11.8 billion. The Group achieved revenue of $6.3 billion, Adjusted EBITDA of $981 million and net income of $350 million.

Delivering performance to our clients remained a key focus and, while 2013 results were adversely impacted by the Guará-Lula NE project in Brazil, the rest of our project portfolio was satisfactorily executed.

Overall, the results for the year are satisfactory despite the provision of $355 million on the Guará-Lula NE project. The challenges which under-delivery by our subcontractors have created for our organisation should not be underestimated. I am pleased to see the process to deal with these challenges has been constructive, and we have made good progress in resolving them thanks to the efforts of our people and good cooperation with our client.

An attractive medium-term business environment
The medium and long-term growth outlook in our sector remains attractive as the worldwide economy improves and declining oil production profiles continue to drive demand for our services. Our clients remain committed to exploring and developing deepwater and harsh environment provinces.

However, short-term market growth has been tempered and we witnessed in the latter part of 2013 an increased number of project awards to the market being postponed by our clients for a variety of reasons. The trend towards higher field development costs contributed to greater caution by our clients, particularly the international oil companies, before committing capital to field development and in some cases reassessing the scope and configuration of large projects.

We also experienced more competition in our markets as new entrants and established companies continued to increase their capabilities.

By working closely with our clients, with an ever-greater focus on efficiency and the successful implementation of our technology, we continue to be successful in delivering cost-effective solutions that enable projects to move forward.

Building for growth

To position ourselves for the expected growth in our market, the Board of Directors approved the construction of five new vessels in 2013, including three Pipelay Support Vessels (PLSVs), one Diving Support Vessel (DSV) and one heavy construction vessel (HCV). The three PLSVs, together with the *Seven Waves* PLSV, which is nearing completion, will operate in Brazil under five-year day-rate contracts with Petrobras. The investment in the *Seven Kestrel* DSV reflects our confidence in the continued demand in the North Sea for diving services. The high-specification HCV, registered as the *Seven Arctic,* has been designed for the installation in harsh environments of complex process equipment on the seabed.

Through investment in our assets and in the application of enabling technology, we are able to offer clients more resources, increased depth of expertise, a modern and diversified fleet and greater flexibility to provide technical solutions for a broad range of subsea projects. This, with our financial strength, enables us to manage those challenges which may arise as we execute projects.

Equally important is our sustained investment in our people to ensure we are able to optimise our know-how and extend our global expertise. Underpinning this breadth of capability and expertise is the commitment by our people at all levels to our five Values: Safety, Integrity, Innovation, Performance and Collaboration. These Values, which govern everything we do, are the basis of our future success.

In a market where efficiency and risk management are paramount, and where the trend is towards more complex projects which require substantial and versatile resources, clients are increasingly looking to Subsea 7 to be their reliable strategic partner.

Financial discipline and returns to shareholders

Due to our fleet investment programme, our capital expenditure is currently at an elevated level. The decision to undertake this programme was taken after rigorous financial analysis and risk assessment with the objective of achieving returns in excess of our cost of capital and thereby enhancing shareholder value.

The Board's confidence in the future, combined with a strong balance sheet, enabled us to maintain our commitment to returning excess capital to shareholders. Accordingly, a special dividend of $199 million was paid in July 2013 and a $200 million share repurchase programme was initiated in the fourth quarter, of which $91 million was executed by the year end.

My thanks

I would like to thank our shareholders and our clients for their confidence and continued support.

I would also like to express my sincere appreciation to our employees and business partners for their contribution to the success of the Company.

Kristian Siem
Chairman

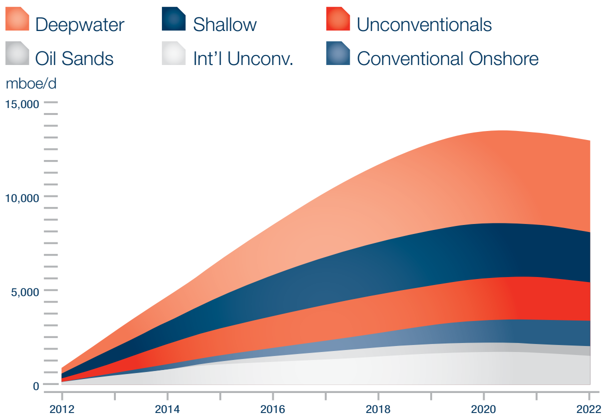
Market overview

Industry fundamentals remain strong

The International Energy Agency's 2012 World Energy Outlook* forecasts that the global demand for oil will continue to grow from 87.4 million barrels per day in 2011 to 96.6 million barrels per day in 2020, a 0.9% annual growth rate. According to the IEA, as production from current fields declines, new sources of energy supply will start to bridge the gap. New developments to fill this gap include unconventional sources such as shale, tight oil and oil sands, especially in North America, but offshore production, particularly in deepwater and ultra-deepwater, is projected to outstrip these sources in volume terms.

PFC Energy estimates that deepwater fields will provide 37% of new production for the top 24 International Oil Companies (IOCs) over the next decade.

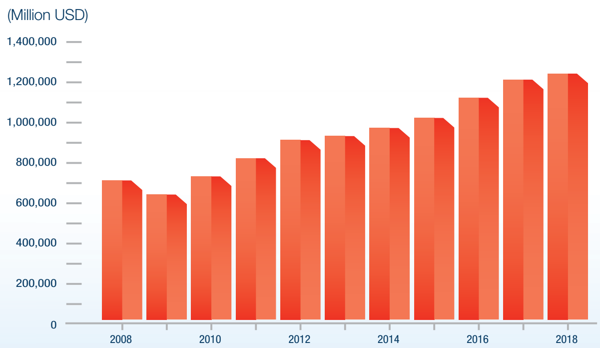
Forecast new industry source production by asset type



Source: PFC Energy Upstream Competition Service

Global E&P spend, according to Rystad Energy**, has grown annually by an average of 9% in the period 2009 to 2012. From 2012 to 2015, E&P expenditure will continue to grow, albeit at the more modest pace of around 4% per year on average. Rystad Energy estimates that a new investment cycle will commence in the period after 2015 as the balance of supply and demand becomes tighter as a result of increasing demand and the period of reduced investment growth. This upturn in growth in E&P expenditure is expected to average about 7% per year.

Global E&P expenditure



Source: Rystad Energy Research

* IEA 2012 World Energy Outlook
** Rystad Energy research and analysis (2013)/UCube data

We have identified segments of the subsea market where we can differentiate ourselves by delivering high-quality services built around our core strengths of engineering and end-to-end project management.

Our core and complementary market segments

1. SURF

The scale and complexity of Subsea Umbilicals, Risers and Flowlines (SURF) projects continue to grow as new reserves are found in deeper water and in more challenging environments. Clients are packaging their scopes of work into larger Engineering, Procurement, Installation and Commissioning (EPIC) frameworks.

Our objective is to be the global market leader in this sector. We have a strong international SURF presence and in every major offshore region we safely and successfully execute challenging projects which connect seabed wellhead infrastructures to surface production facilities such as platforms and floating production systems.

2. Life-of-Field

We have a well-established track record in providing subsea Life-of-Field (LOF) services. A pioneer in diving and diverless remote intervention technology, we support asset integrity throughout the operational lifecycle, offering clients integrity management, survey, inspection, repair, maintenance and field extension.

As the largest saturation diving company in the world, and one of the largest global Remotely Operated Vehicle (ROV) operators, we deliver maximum operational capability while protecting health, safety and the environment.

3. Conventional

Our expertise is also deployed in shallow water environments, supporting our clients in the fabrication, installation and refurbishment of fixed platforms and associated pipelines.

West Africa has been our main market for Conventional services, and this is projected to continue in the medium term.

Mexico is an emerging market for us in this segment.

4. Hook-up

This segment of the market comprises the installation of modules on new platforms and the refurbishment of topsides of existing fixed and floating platforms. We are well positioned to grow in this segment due to our capability and experience in the Conventional and SURF sectors.

West Africa has been our main market for Hook-up services, and this is projected to continue in the medium term.

5. ROV and Intervention support

Subsea 7's i-Tech division is a leading provider of ROV and subsea intervention support to the global energy market. With an extensive track record and proven ability to deliver safely and reliably, i-Tech's experienced personnel and technologically advanced equipment undertake operations worldwide.

6. Renewables, Heavy lifting and Decommissioning

Seaway Heavy Lifting (SHL) offers a range of services, including the installation of offshore wind turbines, structures and substations on an EPIC basis, the transport and installation of large offshore oil and gas structures and the decommissioning of redundant offshore structures.

See Glossary on pages 112–115 for definitions of terms.

Our activities

Subsea 7 is a global leader in the provision of seabed-to-surface engineering, construction and offshore installation services to the offshore energy industry. We have a proven track record and access to a market-leading depth of technological know-how and capability.

We offer a full range of services, global expertise and market-driven applied technology:

Services

- EPIC contracting
- Engineering design
- Project management
- Pipeline design, fabrication and installation
- Life-of-Field
- Fabrication
- Fleet provision

Capability

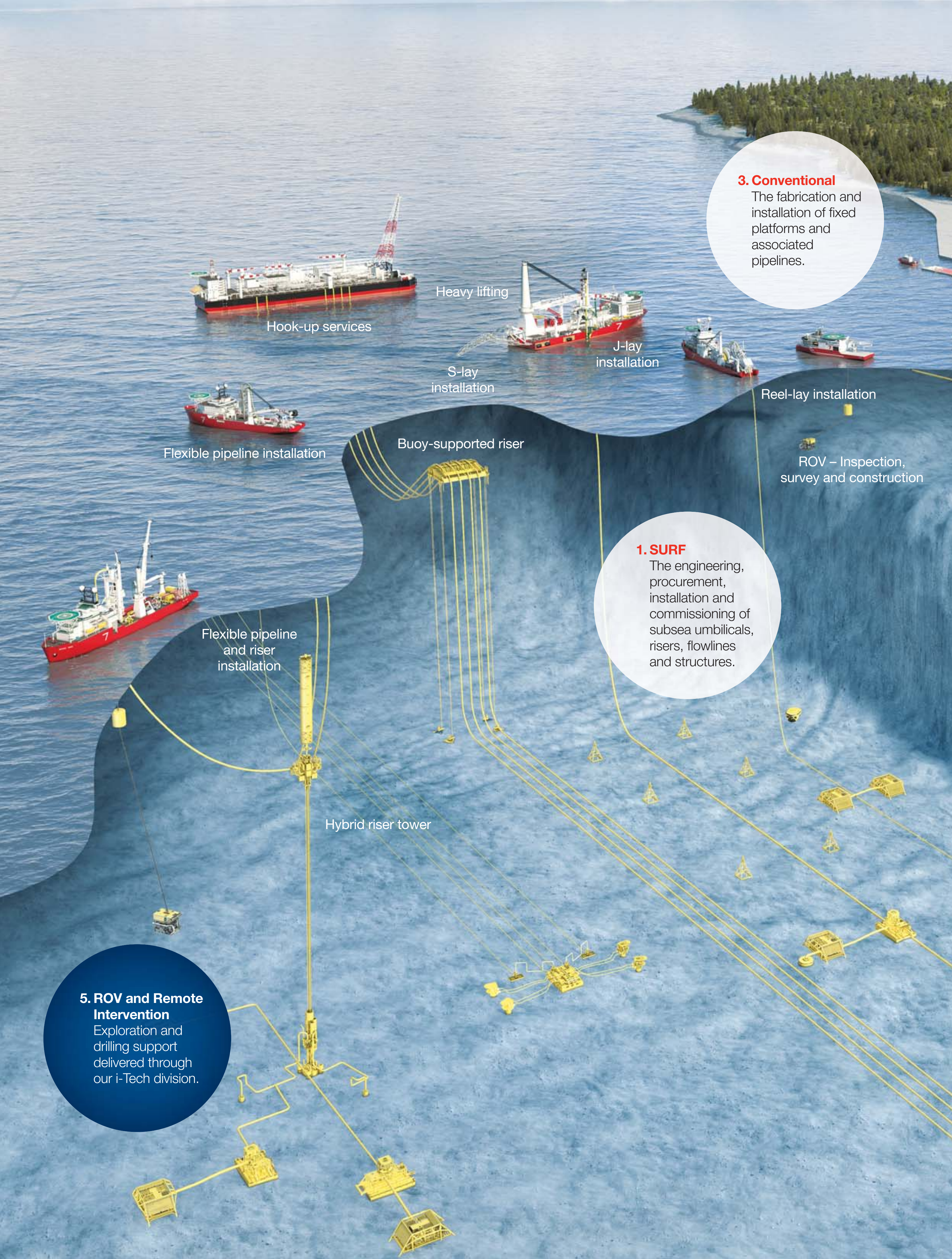
- Pipelay fabrication
  - Rigid
  - Bundle
- Pipelay installation
  - Rigid reel-lay
  - J-lay
  - S-lay
  - Flex-lay
  - Bundle-lay
- Construction
  - Fleet capacity and flexibility
  - Lift and storage optimisation
- Diving services and remote intervention
  - Diving
  - Remotely Operated Vehicles (ROV)
- Heavy lift
  - Up to 5,000 tonnes

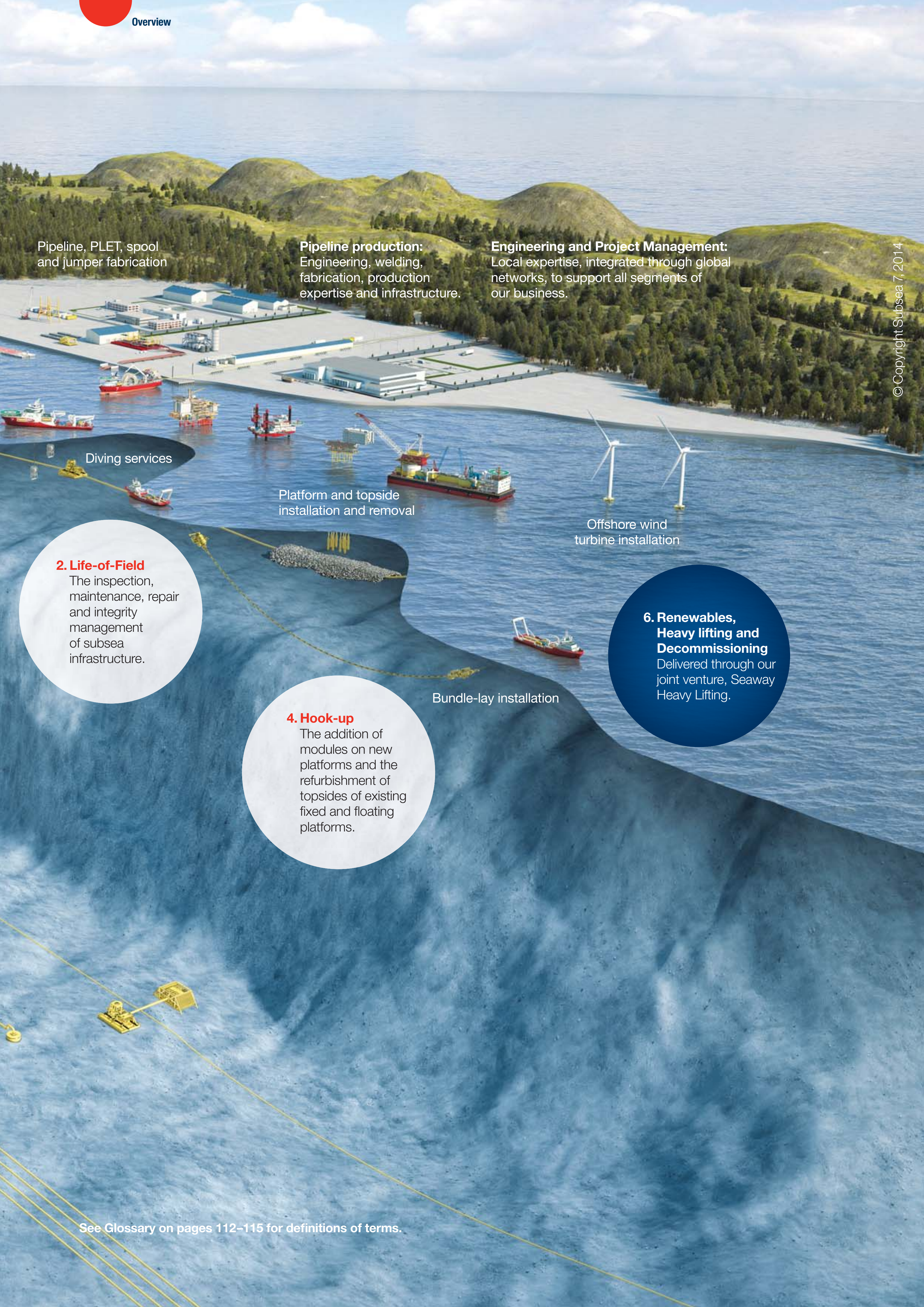
Technology

- Risers
  - Single and Hybrid Towers
  - SCRs
  - Buoy-Supported Risers (BSRs)
  - Grouped SLORs
- Pipelines
  - Bundles
  - Pipe-in-Pipe (PIP)
  - Electrically Trace Heated PIP
- Welding
  - In-house R&D
  - High-strength steel
- Materials
  - High-strength steel
  - Corrosion-resistant alloys (BuBi®)
  - Composites
- Remote intervention
  - Autonomous Inspection Vehicles (AIVs)
  - Sensors

See overleaf for more detail on our activities

WHAT WE DO: OUR ACTIVITIES





See Glossary on pages 112–115 for definitions of terms.

WHERE WE OPERATE

We deliver our services to the global offshore energy industry through an operational structure of Territories, Divisions and Joint Ventures.

Global Operations

Vessels

40+

ROVs

175+

Total workforce

14,000+

Engineers

2,000+

* Onshore workforce only

Divisions and Joint Ventures

i-Tech

Our i-Tech division operates one of the world's largest and most advanced fleets of Remotely Operated Vehicles (ROVs), and is a market leader in this sector in Brazil, Mexico and a growing number of regions with emerging deepwater operations.

i-Tech's fleet of around 100 ROVs ranges from small observation-class vehicles to heavy-duty remote intervention systems, and is supported by a workforce of over 950 through a global network of operational bases.

Seaway Heavy Lifting

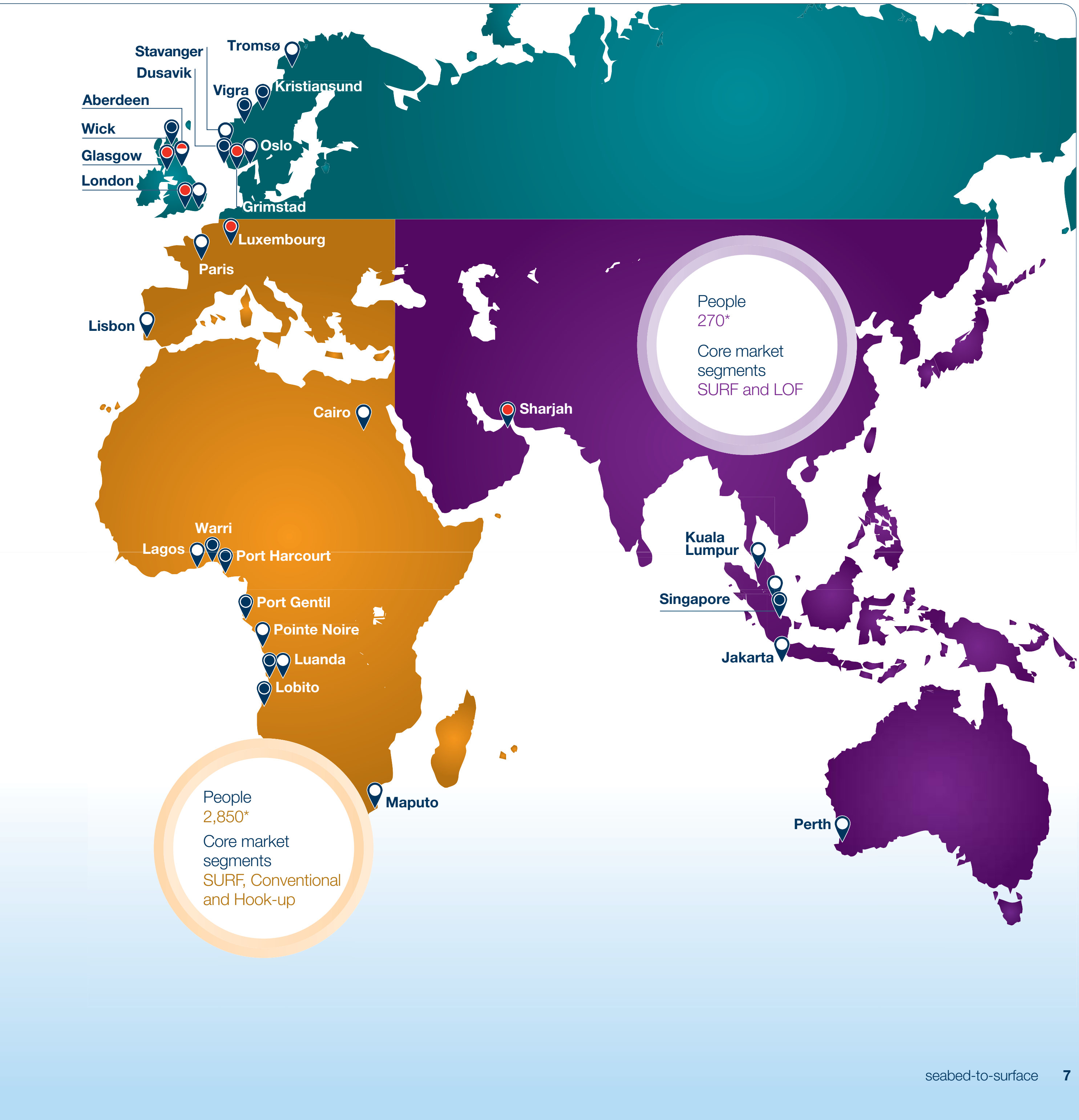
We hold a 50% interest in our joint venture Seaway Heavy Lifting (SHL), an established offshore contractor operating two world-class heavy lift vessels.

SHL is active in three specialist segments of the offshore energy market: the installation of offshore wind turbines, structures and substations, the transport and installation of large offshore oil and gas structures and the decommissioning of redundant offshore structures.

SapuraAcergy

We also hold a 50% interest in SapuraAcergy, a Malaysian joint venture, which has widespread experience of diverse projects in Australia, India, Japan, Malaysia and Vietnam.

SapuraAcergy deploys the *Sapura 3000*, an advanced pipelay, construction and heavy lift vessel.



Jean Cahuzac,
Chief Executive Officer

"We are focused on risk management, operational excellence and delivering efficiencies to clients through our market-driven technologies"

Reflecting on our performance
In 2013, Subsea 7 delivered a strong operational performance through successful project execution, with the exception of the Guará-Lula NE project in Brazil, which experienced additional delays and costs in the first ten months of the year.

The rigid pipelay and heavy lift vessel *Seven Borealis* continued to meet our performance expectations with close to full utilisation during the year. The vessel was also a key factor in enabling the Group to win contracts for large, complex new deepwater projects such as Martin Linge in the North Sea.

In a year of high activity, our safety performance continued to improve offshore, with over 85% of vessels operating for more than a year without any Lost-Time Incidents (LTIs). This result reflects our long-term investment in training and the continued focus of our offshore and onshore management on achieving our target of incident-free operations.

Revenue continued at our 2012 level of $6.3 billion, with higher levels of activity in West Africa and Asia Pacific offsetting moderate declines in the contributions from the North Sea and Brazil.

The Group's profitability – evidenced by Adjusted EBITDA of $981 million – was negatively impacted by an additional full-life loss provision of $355 million on the Guará-Lula NE project in Brazil. While operations on this project were significantly delayed due to adverse weather conditions during the Brazilian winter season, good progress on the revised schedule was made in the latter part of 2013.

The financial position of the Group remains robust and we ended the year with $650 million in cash and cash equivalents.

Another notable achievement in the year was securing work to underpin future revenue. A record backlog of $11.8 billion was achieved at the end of 2013, reflecting clients' confidence in our continued ability to deliver reliable and efficient services and recognition of the increased strength of our technology offering.

Focus on risk management and operational excellence
Building on our solid performance in 2013, we remain disciplined in our approach to bidding for new projects, targeting those that match our strengths and capabilities. We retain a strong focus on project risk management and profitability.

The disappointing result on the Guará-Lula NE project does not reflect our overall performance, and I am satisfied with the execution of the other projects in our portfolio.

I am confident that we will achieve our financial turnaround objectives in Brazil by mid-2014 as the implementation of the restructuring plan and our new tendering strategy focused on acceptable risk profiles are both on track.

Our strategy:
People
The limited availability of skilled and experienced people to deliver the projected growth in our market is a major challenge for our industry.

We meet this challenge in a number of ways. We share knowledge and expertise throughout the Group, we support and retain our experienced people and we continually attract fresh talent in all our Territories.

We manage our international expertise in key disciplines through internal knowledge-sharing networks and systems, such as our Communities of Excellence.

Providing sustainable careers for our people is at the core of our people retention and attraction strategy. We encourage internal mobility throughout the Group, giving our workforce the opportunity to broaden their experience across disciplines and Territories.

This mobility allows us to support and manage large projects from a number of centres of expertise around the world.

New and existing employees benefit from living and working by our Values of Safety, Integrity, Innovation, Performance and Collaboration. These Values instil consistency across our operations, enhancing the quality of our decision-making at every level.

Technology

There is a growing technology richness to our projects, and we continue to focus on the development, application and commercialisation of new applied technologies. Technology is increasingly the key to executing complex deepwater and ultra-deepwater projects in harsh environments, and to delivering efficiencies to clients.

Our ability to develop and apply effective enabling technologies is a critical factor in securing major contracts. Our Technology and Asset Development team has a long and successful track record in bringing many key technical innovations to market, and we have opened dedicated Centres of Excellence in Glasgow and Paris to support our automated welding and pipeline production developments.

We have a market-leading status in the design and application of a number of key enabling technologies, including innovative riser systems, corrosion-resistant pipelines, pre-assembled pipeline Bundles and thermally-efficient Pipe-in-Pipe products.

Our track record in product development also allows us to test and reduce the risk exposure associated with the adoption of new technologies.

Vessels

Our high-specification fleet of over 40 vessels is the largest in the industry. This fleet positions us as one of a limited number of subsea contractors able to deliver the full range of SURF pipeline and riser systems, ensuring optimal field development solutions to the global oil and gas industry.

During 2013, we continued the successful implementation of our fleet enhancement programme in line with our long-term strategy.

In the Life-of-Field market, the *Seven Viking* joined the fleet in 2013 and has also experienced strong utilisation.

The *Seven Waves*, a flexible Pipelay Support Vessel (PLSV) for the Brazilian market, was launched in May and successfully completed her sea trials programme on schedule. The installation and commissioning of her lay construction equipment is nearing completion, and the vessel will become operational in the second half of 2014.

Work on three further new-build PLSVs has been started in the Netherlands by the same contractors as for the *Seven Waves*. These vessels are each backed by five-year contracts from Petrobras, and our experience with the *Seven Waves* gives us confidence that the vessels will be delivered on time and on budget.

The *Seven Kestrel*, a new Diving Support Vessel (DSV) for the North Sea is scheduled for delivery in 2015, and the *Seven Arctic*, a new heavy construction vessel, is being built in Korea for delivery in 2016.

Local presence

For over 30 years, we have invested in building an established operational presence in the major offshore regions worldwide. This strong local presence enables us to recruit and develop local workforces, engage in strong supply chain relationships, and absorb local market knowledge.

During 2013, we took the strategic decision to open two further offices, in Tromsø, Norway, to service new offshore developments in Northern Norway, and in Lisbon, Portugal, to support new West African business regions and the Brazilian market.

We have also made an initial investment in Mozambique in the light of discoveries offshore East Africa.

Solid mid- and long-term prospects

In 2013, we have seen some project awards being postponed as oil operators reassessed their capital spending plans and priorities.

We remain confident, however, in our mid- and long-term business prospects as deepwater and harsh environment projects are key for our clients as they face the challenge of declining reserves.

In an environment where projects are becoming larger and more technologically demanding, Subsea 7 offers the engineering and project management capabilities that our clients need to deliver their increasingly complex projects safely and in the most consistent and effective way.

In conclusion, I would like to thank our clients for their continued confidence and support, as well as our people around the world who have in 2013 again demonstrated outstanding performance, dedication and commitment.

Jean Cahuzac
Chief Executive Officer

OUR STRATEGY

We target prospects that match our capabilities, have an acceptable risk profile and generate attractive returns.

The scale and complexity of projects within the offshore subsea market are expanding rapidly to meet the challenge of increasing global energy demands.

This development has great significance for Subsea 7. We have a long track record, people with high levels of industry expertise, market-driven technologies, high-performance assets and the financial strength required to execute these projects safely and effectively.

We differentiate ourselves by delivering high-quality services that are built on our core strengths of engineering, project management, supply chain and vessel management, and supported by our commitment to invest in people, technology and assets.

We continually target prospects that match our capabilities, have an acceptable risk profile and generate attractive returns. We already have, and are committed to expanding, a strong local presence in the major offshore regions. We have well-established relationships with large international and national oil companies, smaller independent oil companies, regional suppliers and other service providers, all of which are based on maintaining a strong local infrastructure.

Through investment, we develop and embed local capability and deliver an effective local supply chain.

Our aim is to deliver performance which is sustainable, transferable, consistently reliable and profitable.

People

The key to delivering sustainable value

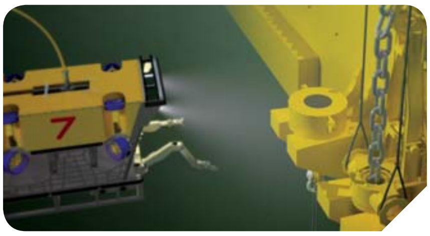
We believe that having access to a large pool of skilled and experienced people is a key differentiator in our sector. Clients rely on Subsea 7's in-house resources, 30 years of experience and technical expertise.

For Subsea 7, sustainable learning and development opportunities for our people are a high investment priority. We value our people; they are key to our success. We currently employ more than 14,000 people worldwide, onshore and offshore, including industry-leading talent pools of specialist engineers, project managers, supply chain and logistics personnel and asset managers.

With over 100 different nationalities working throughout the Group, we think globally and deliver locally. We share our expertise through internal networks and systems, including Communities of Excellence under the direction of world-acknowledged specialist engineering experts, and integrated multi-country teams supporting project delivery.

For more details see page 12

Technology



Developing market-driven solutions

As subsea production moves into deeper waters and harsher environments in a growing number of oil and gas-producing regions, the industry is increasingly reliant on the global availability of new enabling and cost-reduction technologies.

Subsea 7 has a long track record of successfully identifying market needs to develop, apply and commercialise technologies that overcome key industry challenges.

These challenges include deepwater and harsh environments, high pressure, high temperature reservoirs, corrosive and waxy fluids, and remote locations.

We work closely with clients, suppliers and partners on developing market-driven solutions and have a market-leading ability to test and reduce the risk exposure associated with the adoption of new applied technologies.

Our ability to respond to technological challenges is a key differentiator, and has been a critical factor in securing major contract awards.

For more details see page 14

Assets

The value of investing in a large, flexible and capable fleet

Subsea 7 continues to invest in the world's largest and most versatile fleet of vessels for complex deep and shallow-water subsea projects anywhere in the world. This ongoing commitment to our fleet enables us to provide clients with an unrivalled combination of flexibility and capability.

At its core, the 40+ fleet comprises ten global enablers – world-class vessels in terms of their size, performance and versatility that are capable of all pipelay and heavy construction operations for any major new subsea field development project. These global enablers are supported by over 30 specialised vessels that give us core regional market capability in pipelay, construction, remote intervention and diving support operations.

Our proven track record of commissioning, crewing and operating this diverse fleet, including the efficient and cost-effective management of our new-build programme, is a key differentiator in our market.

For more details see page 16

Local presence

Building strong local businesses and embedding local capability

We have been established for over three decades in most of the major offshore regions worldwide. Having strong local businesses that contribute to their local community and environment is a key differentiator for Subsea 7 and central to our long-term strategy.

At an operational level, we encourage the formation of joint venture companies, including working with IOCs, which give early access to local people, suppliers and market knowledge.

In all our Territories, we invest in the development of local people, which not only contributes significantly to the local economy but also enhances our global skills pool. Our operations in Angola and Nigeria are already predominantly resourced by national workforces.

We are also committed to working closely with the local supply chain, further enhancing the long-term economic prospects of the countries in which we operate.

For more details see pages 18 and 20

The key to delivering sustainable value

Sustainable careers for all

We recognise that our people are our most valuable resource. We commit over $20 million each year to support their long-term development. We make every effort to ensure that new recruits and existing personnel are fully supported and equipped to manage their sustained, long-term careers with us in the subsea industry.

As well as designing and delivering formal learning and development programmes, we also create career opportunities for our people worldwide, and encourage internal mobility. As a leading global contractor in our market, we are able to offer our people the opportunity to develop international careers that greatly broaden their experience.

In an industry that offers many opportunities for talented individuals, we ensure that all our people are fully supported in identifying and achieving their career goals with Subsea 7.

Every employee has access to a set of powerful tools – the Subsea 7 Career Development Plan and Development Schemes. The Development Schemes outline capability frameworks for all roles within the Group and show what development is required to achieve target career progression.

These Development Schemes underpin employees' personal Career Development Plans and form part of the annual Performance Management Review.

Together, these tools and processes ensure employees are guided towards manageable personal development and career goals which align with the Group's business plans. They also facilitate internal mobility across the organisation, allowing our people to expand their capabilities in different functions or new locations.

As well as extensive training opportunities for our onshore personnel, we also deliver dedicated onshore training for our 6,000 people working offshore to address their particular challenges of career planning. Onshore and offshore personnel have full access to our online Learning and Development portal.

In the regions in which we operate, we also contribute significantly at a local level to learning and development initiatives for our people.

We recruit and develop local talent from their communities, offering competitive reward packages adapted to local conditions, and introduce them into our global workforce through experience on our vessels and in our offices, bases and fabrication yards worldwide.

Being 7

Subsea 7 is wholly committed to living and working by its five Values of Safety, Integrity, Innovation, Performance and Collaboration.

During 2013, our innovative global employer brand, Being 7, was widely used to help prospective and existing employees understand and demonstrate how they personally relate to living by these Values in their own workplace. Being 7 also emphasises what Subsea 7 offers as an employer of choice.

Using widely-publicised personal stories, we have built up a powerful and persuasive expression of what it means to be a part of Subsea 7 and what sets us apart from the rest of the industry.

As well as promoting career development opportunities, Being 7 also demonstrates how personal commitment to the Values underpins the Group's business success, and how our people make Subsea 7 the company it is.

Graduate and conversion programmes

Our two-year graduate engineering development scheme is a global programme that attracted participants from 15 different countries in 2013. Although they continue in their local employment, the graduates participate internationally, through training seminars held at different locations around the world, where the entire group assembles and meets their international peers.

The programme offers graduate engineers a practical introduction to the needs of the industry through a combination of work experience and technical education. This culminates in entry to our Graduate Engineering Development Scheme, which can take engineers all the way to becoming a global expert in their technical field.

Through our conversion programmes, we also recruit trainees from other engineering and construction industries who want to move into the subsea sector. Together, these two programmes attract around 150 high-calibre trainees into the Group each year, a level which we aim to sustain in the future.

During 2013, we also added 20 young people to our Commercial Graduate Development Scheme, including participants from Africa, Australia, Brazil, France, the UK and the US. They will undergo focused learning in our Sales & Marketing, Business Development, Strategy, Technology & Asset Development and Supply Chain Management groups.

Academy 7

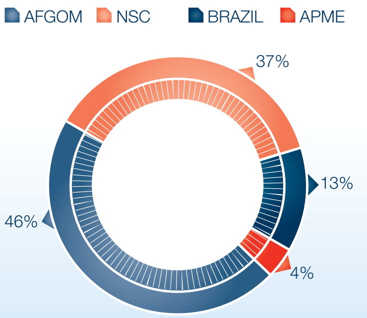
Our commitment to long-term investment in our people lies at the heart of Academy 7. Academy 7 delivers the Group's talent development programmes, materials and tools across the organisation, creating a sustainable learning environment and supporting professional development for onshore and offshore employees.

This powerful training resource offers a structured way for employees across the Group to develop their technical expertise or advance their management skills and business leadership, along with providing a range of global development programmes for people wanting to pursue an international career.

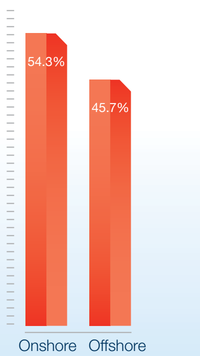
People are key

We create career opportunities worldwide and encourage internal mobility. Our worldwide workforce of over 14,000 includes recognised market-leading talent pools in key specialist disciplines.

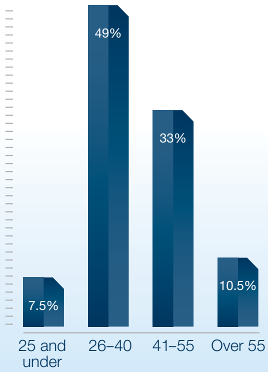
Onshore employees by Territory



Employee location



Experience profile



Developing market-driven solutions

A pipeline Bundle is launched at our Wick fabrication site

Pipelines

Being able to bring new deepwater fields into production relies on advances in pipeline technology to overcome challenges of higher operating temperatures and pressures, enhanced pipeline life expectancies, flow assurance and the transportation of corrosive fluids.

To address the issue of heavier fluid composition in deepwater fields, we are working collaboratively with technology partner ITP and key clients on pioneering deepwater subsea fields that will depend on Electrically Trace Heated Pipe-in-Pipe (ETHP) technology for their development.

Combined with high-performance Pipe-in-Pipe (PIP), ETHP is the most technically advanced, thermally efficient system on the market today. It has achieved operator qualification and enables longer, more cost-effective tie-back distances to be achieved.

We continue our collaboration with specialist steel manufacturer BUTTING to install BuBi® Mechanically Lined pipe by the reel-lay method in deepwater developments that require cost-effective, corrosion resistant pipelines.

This award-winning technology received growing market acceptance during 2013, and was selected for the pioneering Aasta Hansteen project offshore Northern Norway.

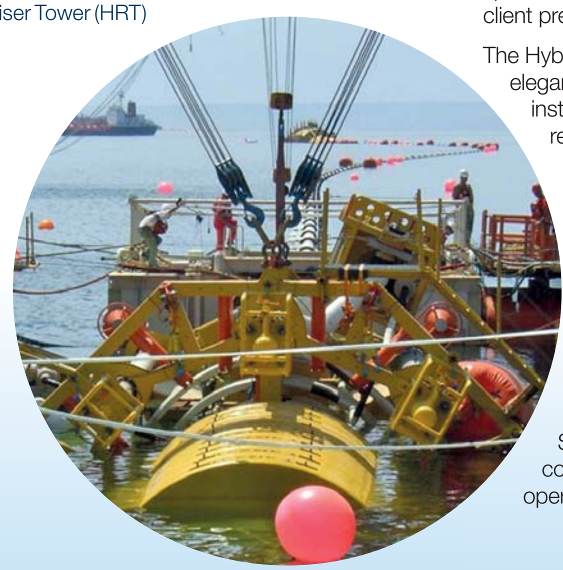
Another important pipeline technology is our unique Bundles product, which incorporates all the structures, valve work, pipelines and controls necessary to operate a field in one single pre-assembled system which is towed to site.

This product has significant potential applications in the future development of seabed pumping and processing modules.

Risers

Over many years, we have developed a unique suite of riser and related technologies to meet a wide range of specific field characteristics such as water depth, environmental conditions, host specification, hydrocarbon composition and client preferences.

Preparing to install a Hybrid Riser Tower (HRT)



The Hybrid Riser Tower (HRT) concept is an elegant and effective riser system first installed by Subsea 7 in 1998 and recognised to have significant benefits for deepwater riser applications in terms of flow assurance, thermal performance and robustness of layout, especially when large numbers of risers are considered. Two high-performance HRTs were installed by Subsea 7 on Total's CLOV project offshore Angola during 2013.

Steel Catenary Risers (SCRs) continue to be preferred by various operators. Our track record includes the lazy-wave SCRs deployed on Shell's BC-10 project, and our development programme includes improved welding techniques to meet onerous fatigue requirements and system optimisation by a combination of weight and buoyancy distribution.

Another effective system is the Buoy-Supported Riser (BSR), which includes a large subsurface buoy moored to the seabed which can accommodate a large number of SCRs. This can be installed prior to the arrival of the FPSO, thus potentially reducing the critical path schedule, and the de-coupling between the FPSOs and the SCRs results in less onerous fatigue requirements.

In addition, we have extensive experience of installing flexible riser systems and risers on fixed platforms.

We are also currently engaged in developing and qualifying the use of high-strength steels and composite materials for next-generation riser design.

Automatic welding control programmes significantly improve welding performance

Welding

Advanced welding capability is a critical element in new pipeline technology initiatives, and possessing integrated development facilities and internal know-how gives us a significant advantage in this market.

During 2013, following a $14.6 million investment, we opened our new Global Pipeline Welding Development Centre (GPWDC) in Glasgow, UK, and set up the Offshore Pipeline Production Team (OPPT) group in Paris. Together these operations provide advanced R&D facilities and specialist know-how with a wide range of simulated automatic welding and Non-Destructive Testing (NDT) inspection processes for rigid pipeline production.

A major advantage of the GPWDC and OPPT is their capability to simulate production environments for rigid-reel, J-lay and S-lay operations, which allows us to perform realistic pre-production welding trials and operator training.

This gives us a unique ability to develop and implement enhanced automatic welding control programmes for challenging pipeline specifications, including corrosion-resistant alloys and high-strength steel applications.

As a result, our fabrication bases are making significant improvements in welding performance, including reducing weld repair rates (a key quality indicator), with no deterioration in productivity.

Remote intervention

The increasing challenges posed by deepwater subsea system architecture and the need for Life-of-Field maintenance demand reliable, high-technology remote intervention solutions.

We have been pioneering the development of ROVs, tooling, inspection and repair technology for over 30 years, and draw on this expertise to collaborate with manufacturer SMD in the design of units to our individual specifications.

During 2013, i-Tech successfully launched a next-generation work-class ROV, the SP Centurion, designed for deepwater operations. This new ROV is smaller, lighter and more powerful than other units, and is capable of enhanced hovering throughout the water column for sustained operations.

Our pioneering Autonomous Inspection Vehicle (AIV) underwent verification trials during 2013 and, when commercially deployed, will allow tether-free inspections of risers, pipelines and seabed equipment.

In the long term, operators may also use the AIV’s intelligent decision-making capabilities for “install and retrieve later” multi-vehicle campaigns, including deployment in future under-ice subsea developments.

Autonomous Inspection Vehicles allow tether-free subsea inspections

The value of investing in a large, flexible and capable fleet

Pipelay Support Vessel under construction for the Brazilian market

Fleet expansion

The scale and complexity of projects within the offshore subsea market continue to expand rapidly on a global basis. The technologies deployed to enable the development of challenging shallow and deepwater fields now require higher performance vessel capabilities than ever before.

In recent years, we have anticipated this demand and invested in a market-leading fleet which gives us significant enabling capability on both single-vessel and multiple-vessel deployment projects.

Our in-house Strategy and Technology & Asset Development teams have a strong track record of identifying and anticipating client needs in terms of vessel performance. They work in close collaboration with our vessel construction and equipment partners on the design of new vessels of outstanding versatility.

We are committed to maintaining our competitive advantage in fleet capability through our design expertise and our ability to sustain investment in these critical assets.

Recent additions to the fleet which are under construction include the *Seven Waves* Pipelay Support Vessel (PLSV), which is nearing completion and is due to enter service in 2014, three additional PLSVs under construction for the Brazilian market, our eighth Diving Support Vessel (DSV), the *Seven Kestrel*, due to join the fleet in 2015, and our new heavy construction vessel, the *Seven Arctic,* under construction for service in 2016.

Vessels such as the *Seven Arctic* are designed in direct response to demand for larger vessels with higher capabilities to execute complex projects more quickly and cost-effectively.

The *Seven Arctic* has a 7,000 tonne under-deck carousel, a high-performance 600/900 tonne deepwater crane and extensive deckload capability.

Fleet capability

Seven Borealis operating in J-lay mode offshore Angola

Our fleet consists of over 40 vessels ranging from high-performing global pipelay and heavy construction enablers to versatile support vessels for flex-lay, light construction and diving and remote intervention activities.

Our fleet is based on a wide range of modern vessels which are, both individually and collectively, capable of operations beyond the scope of other vessels in the market.

Our recent investment in global enablers allows us to undertake challenging installation and construction projects on a worldwide basis. These large, versatile vessels are designed to meet market needs in wide-ranging workscopes, including high-performance pipelay using J-lay, S-lay, flex-lay and reel-lay, and the transport and installation of increasingly large and heavy subsea structures.

Their capability is based on market-driven features such as high-performance cranes, substantial onboard storage capacities and the ability to be configured for project-specific installation and handling equipment.

Vessels are also constructed to local market specifications when required to ensure fit-for-purpose performance in such diverse regions as the North Sea, the northern Norwegian Seas, Brazil, West Africa and the Gulf of Mexico.

Our support vessels are also carefully sourced, either through purpose-builds with selected partners or directly from the market if we identify potential over-supply.

We work in collaboration with vessel construction and equipment partners on the design of new vessels

Fleet management

We optimise the global mobility of our fleet using advanced vessel support and management systems to deliver high fleet utilisation and consistent project execution across our Territories.

Our in-house engineering and project management expertise enables us to take advantage of vessel versatility across the fleet. Our technical engineering know-how ensures that the most effective vessels are mobilised for each project, or are deployed in optimum combinations for complex projects.

This enables us to respond efficiently to client requirements with fit-for-purpose solutions, and accommodate altered work scopes when required to avoid downtime. This flexibility is highly valued in our market.

Our fleet utilisation is further enhanced by having a high proportion of modern vessels, giving added reliability and minimising dry dock requirements for upgrades and refurbishment.

Utilising the scale and versatility of our fleet in operations such as diving support gives us a significant competitive advantage over competitors with smaller fleets, and enables us to deploy multiple vessels when required to avoid or minimise field shutdowns.

Remote intervention

We continue to invest in one of the world's largest and most advanced fleets of Remotely Operated Vehicles (ROVs), ranging from compact observation-class units to purpose-built drill support vehicles and heavy-duty construction-class systems.

The reliability of ROV units is of critical importance to ensure continuity of the host vessel operations. Accordingly, our investment emphasis is on market-proven vehicles which have a strong track record of safe and resilient operations.

This approach also enhances the consistency of interface with the host vessel and optimises servicing and maintenance programmes. Over many years, we have established a strong track record in the design and development of advanced ROV inspection and tooling systems.

We have over 175 advanced ROVs in our fleet

Building strong local businesses and embedding local capability

Having strong local businesses that contribute to their local community and environment is a key differentiator for Subsea 7, and central to our long-term strategy.

At an operational level, we enter into partnerships and joint ventures, which give early access to local people, suppliers and market knowledge.

We have an established local presence in all the major energy regions worldwide – see pages 6–7 for our Territory and Corporate locations.

Africa, Gulf of Mexico & Mediterranean

Our offices in Paris, London and Houston provide hub support for our local in-country activities in West Africa, principally in Nigeria and Angola, and the Gulf of Mexico, along with emerging East African countries such as Mozambique.

We have a 40-year track record in Nigeria, where we work in close partnership with Global Oceon Engineering, a joint venture between Petrolog Group and Subsea 7. We also operate NigerStar 7, a joint venture with Nigerdock.

In Angola, we own Sonamet in partnership with Sonangol, providing high-quality fabrication for projects off the coast of Angola.

During 2013, we increased the workforce in our Mexican joint venture to over 100 Mexican nationals in our Ciudad del Carmen office.

Asia Pacific & Middle East

Our office in Singapore is the main hub for our operations in the APME Territory. In addition, we have offices in Perth, Australia, and Kuala Lumpur, Malaysia, and we also have an operations base in Loyang, Singapore.

We currently employ over 14,000 people worldwide, onshore and offshore

Brazil

Over 30 years, we have built up a substantial local presence in Rio de Janeiro and Niteroi. Recently we combined these operations into a new 12,900sq.m office complex in the Port of Rio. With its quayside facility, we have retained the Niteroi site as a local operations base.

Outside Rio, we have offices and operational facilities in Macaé and Rio das Ostras, including our i-Tech division. To service the Brazilian pipelay market, we have operated a rigid spoolbase facility at Ubu for over 14 years.

With substantial recent investment in a fleet of new PLSVs, Subsea 7 is recognised as having a significant long-term local presence in the Brazilian offshore industry.

North Sea & Canada

We have a long-established local UK presence with offices in Aberdeen, operational facilities in Glasgow and a pipeline Bundle fabrication yard at Wick, in North East Scotland, altogether employing over 2,000 people.

In Norway, we continue to expand our local presence in Stavanger, with an extension during 2013 of our office to accommodate up to 1,000 people. During the year, we also selected Tromsø for a new office, opening in early 2014, to integrate with the supply chain and business community of Northern Norway. This new office will support our recently-awarded Aasta Hansteen project as well as future business in Northern Norway. We also opened an office in Oslo in 2012.

In Canada, we have an office in St. John's, Newfoundland.

Fabrication yards, spoolbases and operational bases

Lobito, Angola

Owned by our joint venture Sonamet, the yard provides high-quality fabrication, survey, storage and handling services for shallow and deepwater projects offshore Angola.

Port Gentil, Gabon

The N'Tchengué yard covers an area of 520,000sq.m, including 4,000sq.m of covered warehouses, workshops and offices.

Warri, Nigeria

The yard has a total covered working area of over 10,000sq.m, well-established welding capabilities and one of the most extensive fabrication facilities in Nigeria.

Wick, Scotland, UK

The site is a world-leading facility in the construction of pre-assembled pipeline Bundles. It runs 7,800m inland and has a sheltered bay for launching the Bundles.

Luanda, Angola

The base is 715m long and 96m wide, including a 75m load-out jetty, and covers an area of 65,230sq.m.

Port Isabel, Texas, USA

The base is located on the US/Mexico border and extends 1,528m in length. It covers an area of 234,000 sq.m and has a 1,219m fabrication building.

Ubu, Brazil

The base is located in the state of Espirito Santo, north of Rio de Janeiro. It extends 2,276m and covers an area of 88,000sq.m.

Vigra, Norway

The base is located in North-west Norway, is 3,700m long and covers an area of 284,505sq.m. It includes a purpose-built deepwater quay area, and is one of the longest facilities of its type in the world.

Dusavik, Norway

Located near Stavanger, the base was custom-built for storage of Subsea 7 equipment and provides global offshore operational support.

Kristiansund, Norway

The long-established base includes extensive office, workshop and warehouse facilities.

Loyang, Singapore

The base has 2,801sq.m of warehouse/workshop space and 2,986sq.m of open yard storage, with access to 970m of berth with 7.0m to 9.5m draft.

- Fabrication yard
- Spoolbase
- Operational base

Supporting local economies and communities

We are committed to the countries where we operate, and we always recognise our wider responsibilities to the environment in which we live and work. We work with, guide and support local supply chains, and we also identify areas of community involvement where our voluntary efforts can make a difference.

Communities receive targeted support towards attaining their key objectives, while Subsea 7's volunteers acquire enhanced team spirit, refined communication skills and valuable leadership experience.

Supporting rural educational facilities in Nigeria

Africa, Gulf of Mexico & Mediterranean (AFGOM)

Over many years, we have developed our understanding of how we can most effectively build and sustain a strong local presence. This expertise has been captured in Africa in our AFGOM Local Development Strategy, which requires every new project to consider how best to support local content and optimise local development opportunities, including in social responsibility.

The many initiatives we support include:

In Angola, a Malaria Control Programme in Lobito, an SOS Children's Charity to provide a village accommodation programme in Benguela for over 120 orphaned children, a wheelchair programme with the International Child Development Programme to provide 1,100 wheelchairs for children and adults, and CACAJ, Luanda, donating items from our vessel demobilisations to this charity which provides healthcare and education to street children.

In Nigeria, the refurbishment of local schools across the Eket region, sponsoring the improvement of healthcare facilities in rural communities in Onna and Ibeno and Vision 20:20, an initiative between the government and private sector partners to encourage young disenfranchised people to enter an engineering or technology-based education. Vision 20:20 aims to secure the sustainability of the Nigerian oil and gas sector by attracting 100,000 new students by year 2020.

Asia Pacific & Middle East (APME)

Davao Children's Cancer Fund in the Philippines

The nominated charity by our Perth office in 2013 was the city's Ronald McDonald House, which supports families with seriously ill children in hospital. This "home with a heart" provides a supportive environment to over 3,500 families, often from a rural environment and requiring accommodation during a lengthy hospitalisation.

Our Perth office volunteers undertook wide-ranging support activities for this charity, including direct fund-raising, donations, sponsorship and hands-on volunteer support in the house.

The crew of the *Rockwater 2* raised over AU$30,000 through its safety incentive scheme and donated the proceeds to three nominated charities, with the primary beneficiary the Davao Children's Cancer Fund in the Philippines.

We also made contributions to environmental initiatives in the Territory. Subsea 7 is a founding partner of the Serpent Project, a marine research programme in which oil and gas industry ROVs video-record unrecognised deep sea organisms for scientific classification.

A number of new species have already been identified on the North-west shelf offshore Western Australia, and we are supporting further scientific exploration and conservation of the deep sea marine environment through our participation in Chevron's Gorgon project.

Casa da Árvore
(The Tree House)
in Brazil

Brazil

In Brazil, we continue our long-term support for social projects that benefit the communities in which our operations are based.

For several years, we have been an active supporter and sponsor of 'Casa da Árvore' (The Tree House), a pioneering project to help disadvantaged children and their families. We sponsor the Casa da Árvore programme in the Ilha da Conceição area of Niteroi, where we have a major operational presence.

Through Casa da Árvore, we provide care and psychological support each month for around 70 children under ten who are having problems with social integration, including living on the streets.

Casa da Árvore involves psychologists and teachers working and playing with the children on activities designed to help them to overcome their problems with social integration.

In Rio das Ostras, we are a main sponsor of 'Natação no Mar' (Swimming in the Sea), a popular community project that attracts around 350 participants each month.

Natação no Mar offers sea-swimming classes to people of all ages, improving their health and fitness, developing environmental awareness, reducing the incidence of swimming accidents and promoting social inclusion.

North Sea & Canada

In the UK, we organised a charity raffle that raised $15,000 towards the Philippines Typhoon Appeal. We continued our support for the 'Beatrice Works' educational project by hosting a fact-finding visit for over 100 local primary schoolchildren to view the Andrew Bundle at our fabrication site in Wick, Scotland.

We also organised a volunteer weekend during which over 100 people from our Aberdeen office collaborated on a major ground-clearing project at nearby Drum Castle.

In Norway, we continue as main sponsor for the Norwegian Society for Sea Rescue, and supported the Oil Museum in Stavanger and the National Technical Museum in Oslo. We also contributed towards the Philippines' post-typhoon recovery effort through the Norwegian Shipowners' Association.

At a local employee engagement level, we supported over 20 local Norwegian organisations, with the emphasis on youth activities, culture and sport.

In our St. John's office in Canada, we sponsored two annual fund-raisers: Thrive, a charitable organisation working to support disenfranchised young people, and Kids Eat Smart, which organises nutritional programmes at schools and community centres across Newfoundland and Labrador to ensure children can receive a free, healthy breakfast prior to school.

We also entered a cycling team in the first 'Bike the Rock' tour to be held in St. John's to raise funds for MS research and support programmes.

Aberdeen office
volunteers at Drum Castle

OPERATING REVIEW
AFRICA, GULF OF MEXICO & MEDITERRANEAN

Bruno Faure,
Senior Vice President Africa,
Gulf of Mexico & Mediterranean

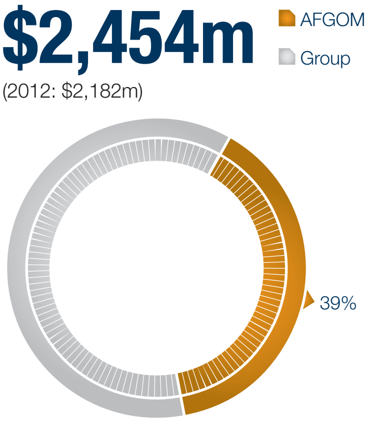
"We are confident in the medium- and long-term opportunities for our existing and new frontier markets"

For more information, see Territory Financial Highlights on page 45.

Revenue

$2,454m

(2012: $2,182m)

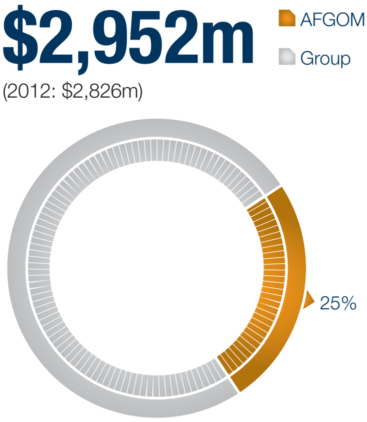


Territory revenue as a % of total Group revenue for the year ending December 2013

Backlog

$2,952m

(2012: $2,826m)

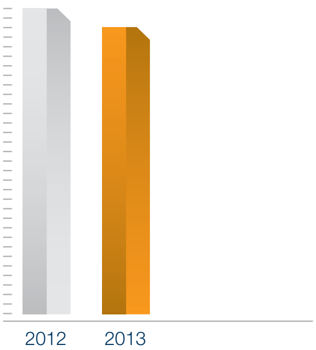


Territory backlog as a % of total Group backlog as at December 2013

Net operating income

$402m

(2012: $428m)



2013 Commentary

Contracts awarded:

- Tullow's TEN project offshore Ghana
- Esso's Erha North Field development offshore Nigeria
- Stone Energy's Cardona development in the US Gulf of Mexico
- Anadarko's Heidelberg project in the US Gulf of Mexico
- Pemex's Line 67 project offshore Mexico awarded to our Mexican joint venture.

Operations:

- Continued significant progress on BP's Block 31 PSVM project offshore Angola
- Continued good progress on BP's GES project offshore Angola
- Planning for Chevron's Lianzi project offshore Angola.

Successful completions:

- On-schedule completion by the *Seven Borealis* of her first offshore J-lay pipelay scope on Total's CLOV project offshore Angola
- On-schedule completion by the *Seven Borealis* of her first offshore S-lay scope on Pemex's Line 60 project offshore Mexico.

Market overview and outlook

Market summary

In Nigeria, high Hook-up activity continued during 2013, although with an increase in local competitors. The Conventional segment has ongoing projects but there were no new awards in 2013 due to local administration issues. Nigeria has significant deepwater reserves, although future investment in the SURF segment remains uncertain due to the upcoming election in 2015 and proposed Petroleum Industry Bill.

Angola remains a significant market with a growth production target of 2.7 million barrels per day by 2019. High levels of exploration were sustained in 2013, especially in pre-salt areas, and this is expected to create new SURF projects. There has been a dip in contract awards in Angola, with major projects such as Total's Block 32 delayed to 2014, and a move towards reduced local content requirements may increase competition in the market.

Elsewhere in West Africa, the medium-term outlook is expected to be positive with further deepwater prospects confirmed offshore Ghana, Congo and Gabon, with plans for new exploration in other countries.

Mexico has a focus on deepwater offshore exploration and development and its recent Energy Reform Bill may allow international companies to invest and operate independently.

Highlights

We secured several key projects in West Africa during 2013, including Erha North offshore Nigeria and TEN, our first deepwater project offshore Ghana.

In the Gulf of Mexico, we secured contract awards for the Heidelberg and Cardona projects and saw higher levels of tendering activity throughout 2013, while in Mexico we commenced two projects for Pemex.

Outlook

Despite some delays in contract awards in 2013 and ongoing political uncertainty in certain countries, we believe we are well positioned to capitalise on the West African and Mediterranean markets along with the new frontier markets in East Africa over the next five years.

In East Africa, the confirmation of large oil and gas discoveries indicates that this market will become increasingly significant. Our first projects are anticipated to be with Anadarko and ENI in Mozambique, with expanded exploration and production activity also expected in Kenya and Tanzania.

The Mediterranean region has a number of deepwater gas reserves with large, complex development projects that match our specialist capabilities. 2013 has seen a slowdown in Egypt, Israel and Libya due to political instabilities, delaying contract awards, but there are significant opportunities ahead with clients including BP, Burullus and Noble.

The US Gulf of Mexico (GoM) has seen continued high drilling levels in 2013, although a combination of high costs and poor drilling results caused some developments to go back to concept selection stage. Deepwater and Life-of-Field opportunities in GoM are coming to market, with client capital expenditure expected to increase further.

We anticipate that activity in Mexico will also grow in the medium to long term.

In the Life-of-Field segment across the Territory, operators are beginning to adopt an integrated, long-term contract approach which will require experienced specialist contractors such as Subsea 7.

Our long track record in the Territory, extensive local capabilities and experience in engineering and project management will allow us to focus on our strengths in delivering these large-scale projects.

Our specialist technology expertise in such key areas as riser design, mechanically-lined pipe and thermally efficient PIP enables us to bring a number of effective, market-driven solutions to the AFGOM deepwater market.

CLOV: the first offshore pipelay project for the Seven Borealis

We were awarded a $1.3 billion EPIC contract by Total E&P Angola for its CLOV development in July 2010. Located in Angola's Block 17, CLOV is a large, challenging four-field development with 34 subsea wells across a cumulative deepwater area of 381sq.km.

During 2012 and 2013, the *Seven Borealis* successfully laid 130km of pipe-in-pipe flowlines, water injection and gas export lines in J-lay mode, and installed innovative 1200m Hybrid Riser Towers (HRTs).

Our joint venture in-country partner Sonamet undertook the majority of fabrication for this significant project, including the HRTs, in its yard in Lobito.

OPERATING REVIEW
ASIA PACIFIC & MIDDLE EAST

Dick Martin,
Senior Vice President
Asia Pacific & Middle East

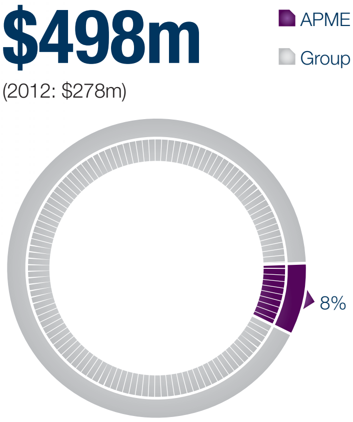
"We are focused on growing the deepwater markets across the Territory"

For more information, see Territory Financial Highlights on page 45.

Revenue

$498m

(2012: $278m)

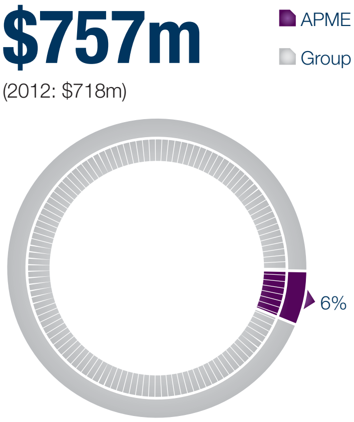


Territory revenue as a % of total Group revenue for the year ending December 2013

Backlog

$757m

(2012: $718m)

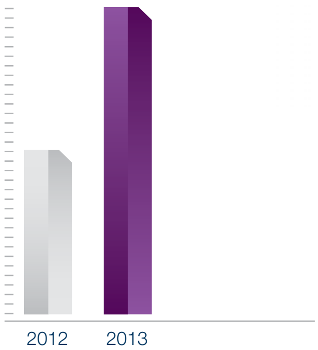


Territory backlog as a % of total Group backlog as at December 2013

Net operating income

$86m

(2012: $46m)



2013 Commentary

Contracts awarded:

- Apache's Ningaloo Vision Upgrade project, offshore Western Australia
- ConocoPhillips' Bayu Undan project in the Timor Sea Joint Petroleum Development Area
- i-Tech: contracts from Chevron, ENI and Woodside.

Operations:

- Commenced engineering phase for Apache's Julimar Development project offshore Western Australia
- Commenced engineering phase for ONGC's G1/Campaign 3, offshore India
- Good progress on Chevron-operated Gorgon Heavy Lift and Tie-ins project offshore Australia.

Successful completions:

- Shell's deepwater Gumusut-Kakap project offshore Malaysia by our joint venture SapuraAcergy
- Marine and operational execution by the *Rockwater 2* of the Siakap North-Petai project, offshore Malaysia
- Santos' Fletcher Finucane Development project, offshore Australia
- Campaign 2 for ONGC's G1 project, offshore India.

Market overview and outlook

Market summary

The APME Territory is large and diverse with distinctive business cultures and differing and complex employment rules and regulatory frameworks. We have demonstrated our ability to work in this challenging environment, based on our well-established local presence and a clear understanding of local commercial and strategic drivers.

In Australia, there is a significant deepwater market dominated by gas. High costs and strict employment legislation are barriers but developments are moving forward with several Front-end Engineering Design (FEED) projects now under contract. Deepwater drilling has also commenced in New Zealand which may provide opportunities in the medium to long term.

The Asian market is evolving from the traditionally shallow-water market into deepwater hubs in countries such as India, Indonesia and China. National Oil Companies (NOCs) are continuing to expand their interests in oil and gas developments, both in Asia and overseas.

Overall activity levels in the Territory are improving but there remains uncertainty over the timing of awards and activity levels in some countries. The oil and gas landscape remains highly competitive with a mix of national, international and local companies.

Tendering activity remains relatively low in Australia with cost over-runs in developments causing clients to postpone and renew several major projects. In the medium term, activity is expected to increase in other countries in the Territory, particularly India, Malaysia and China.

In Indonesia, we have seen further delays in the timing of market award in the major Gendalo Gehem project. However, further significant developments are anticipated over the next five years in Indonesia.

Highlights

In India in 2013, we completed ONGC's G1 project Campaign 2 and, in Australia, Santos' Fletcher Finucane project, while the *Sapura 3000* completed the Gumusut-Kakap project offshore Malaysia for Shell.

Work recently commenced on the Gorgon Heavy Lift and Tie-ins project for Chevron and Bayu Undan for ConocoPhillips will follow in 2014, both offshore Australia.

Outlook

Our long-term presence and established track record combine to put us in a strong position to tender for SURF contracts for deepwater and complex field developments across the Territory. The main thrust of our business development is focused on these growing deepwater SURF markets, in which many of the projects will require effective enabling technologies, vessels with high technical capabilities and companies with a proven capability for reliable project delivery in this specialist field.

We maintain a small but versatile marine asset base in the Territory, and are able to leverage our global fleet to enhance our locally deployed capability.

Life-of-Field services is another developing market, particularly offshore Australia, where our innovative technologies can be combined with strong data management systems to deliver the high-end service required by our clients.

In 2014, we anticipate tendering activity to increase in the second half of the year for project delivery from 2015 and beyond.

Gumusut-Kakap: local presence, global collaboration

Sabah Shell's $1 billion Gumusut-Kakap development is Malaysia's largest deepwater project to date and includes the country's first deepwater semi-submersible production system. It is also the largest contract ever awarded to SapuraAcergy, our Malaysian joint venture.

The offshore installation phase of the project was carried out over three campaigns between 2010 and 2013, involving 450 days' deployment of the *Sapura 3000*. This included the successful installation of ten Steel Catenary Risers (SCRs), via a unique and challenging wet-parking and recovery procedure.

At peak activity, our international project team consisted of 180 personnel from 15 different countries, including a core of Malaysian nationals. Specialist engineering support performed by our Paris office on this contract confirms the global flexibility of our project management capabilities.

OPERATING REVIEW
BRAZIL

Victor Bomfim,
Senior Vice President Brazil

"We are making progress in our strategy to turn around our Brazil business in 2014"

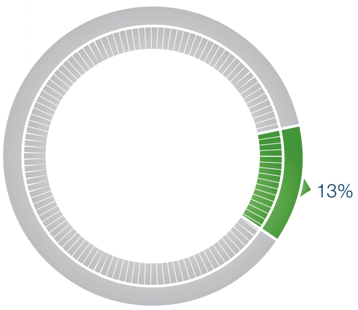
For more information, see Territory Financial Highlights on page 46.

Revenue

$814m

Brazil
Group

(2012: $987m)



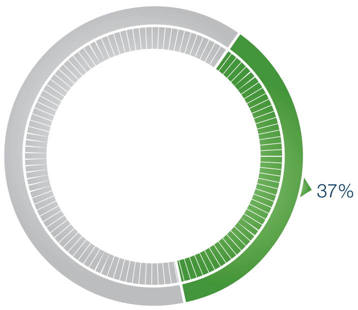
Territory revenue as a % of total Group revenue for the year ending December 2013

Backlog

$4,312m

Brazil
Group

(2012: $1,824m)

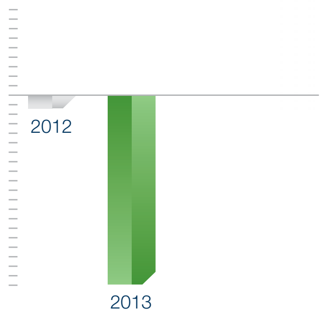


Territory backlog as a % of total Group backlog as at December 2013

Net operating loss

$(318)m

(2012: $(26)m)



2013 Commentary

Contracts awarded:

- Three five-year contracts by Petrobras for new PLSVs
- Non-EPIC combined lump-sum and day-rate contracts by Petrobras for the *Seven Seas* for the Sapinhoá and Lula NE fields in the Santos Pre-Salt Basin
- Contract to i-Tech by Petrobras for the provision of drilling ROVs
- Renewals at improved day-rates by Petrobras for five Pipelay Support Vessels (PLSVs), *Kommandor 3000*, *Normand Seven*, *Seven Condor*, *Seven Mar* and *Seven Phoenix.*

Operations:

- An additional $355 million full-life project loss announced on Guará-Lula NE project for Petrobras
- Implementation of our turnaround strategy, defined in 2013, to return our Brazilian business to profitability in 2014.

Successful completions:

- The launch, recovery and replacement of 229km of flexible lines and the installation of 418km of flexible lines in the Brazilian market.

Market overview and outlook

Market summary

Some of the world's largest oil and gas discoveries have been made in Brazil in the last decade. However, technical challenges associated with frontier developments together with a complex regulatory and fiscal environment create potential risks for service companies operating in the Brazilian oil and gas business.

Despite these challenges, Brazil is still regarded as a major area for investment in the oil and gas sector. Oil production is expected to triple by 2035, making Brazil the world's sixth-largest oil producer.

In 2013, the 11th Bidding Round resulted in the award of a total of 55 post-salt blocks, with 30 companies winning bids. Of these blocks, 42 are deepwater, which will create significant opportunities in the coming years.

The first pre-salt licensing round in October resulted in the Libra field being awarded. A consortium led by Petrobras, the national oil company, will develop the field which, with a total of between eight and 12 billion barrels of oil, will almost double Brazil's actual proven reserves.

Petrobras estimates that it accounts for around 85% of the Brazilian subsea market. However, the participation of international oil companies including Shell, Statoil, BG, Chevron, Total and Repsol is expected to increase.

Current status

Following project difficulties on the ongoing Guará-Lula NE project, we have taken the decision not to tender for any further EPIC projects on pre-salt fields until we can agree on an acceptable risk profile and business model with Petrobras. However, with the exception of these large pre-salt EPIC contracts, we continue to tender to Petrobras and international oil companies operating in Brazil for all other projects where we consider the risk to be acceptable.

The demand for Pipelay Support Vessels (PLSVs) remains strong, with a number of new-builds awarded to the market in 2013 along with renewals to existing PLSV contracts. These contract awards further strengthen our presence in the day-rate PLSV business segment in Brazil and evidence the long-term demand by Petrobras for flexible pipe laying vessels.

The *Seven Seas* was also deployed in the Territory to perform the installation of the export risers for Sapinhoá and Lula NE and the vessel will continue to operate as a PLSV for Petrobras into 2015.

Outlook

We expect that the pre-salt and other deepwater Brazilian fields will be developed using a variety of riser technologies, including both flexible and rigid pipes solutions. This gives us an opportunity to benefit from our market-leading portfolio of riser solutions for deepwater installations.

Based on our well-established knowledge of the Brazilian market, we believe that we will be able to generate sustainable revenue and restore profitability by focusing on day-rate projects and non-pre-salt EPIC contracts for Petrobras and IOCs in the short term.

We will continue to work with Petrobras to achieve an acceptable risk and reward balance which will allow us to participate in future large pre-salt EPIC contracts.

PLSVs: ongoing demand for support vessels

The Brazilian offshore industry continues to rely on the long-term supply of high-performing charter vessels to support its deepwater operations.

During 2013, we had six PLSVs operating for Petrobras on this day-rate basis, with five contracts being renewed during the year.

We have also received contracts from Petrobras for four additional high-performing new-build flexible PLSVs on long-term charter, beginning with the *Seven Waves*, due to be delivered in 2014.

The contracts for the construction and operation of the other three vessels have a combined value of $1.6 billion, with each charter based on a five-year contract. The three new vessels will be delivered in 2016 and 2017.

OPERATING REVIEW
NORTH SEA & CANADA

Øyvind Mikaelsen,
Senior Vice President
North Sea & Canada

"A stable short-term market with new prospects and discoveries offering mid- to long-term opportunities"

For more information, see Territory Financial Highlights on page 46.

Revenue

$2,514m NSC / Group

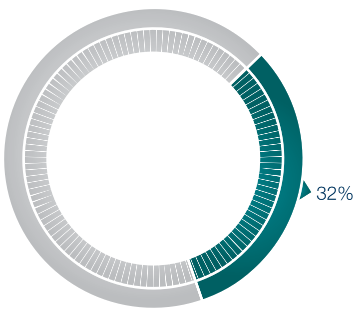
(2012: $2,838m)

Territory revenue as a % of total Group revenue for the year ending December 2013

Backlog

$3,749m NSC / Group

(2012: $3,718m)

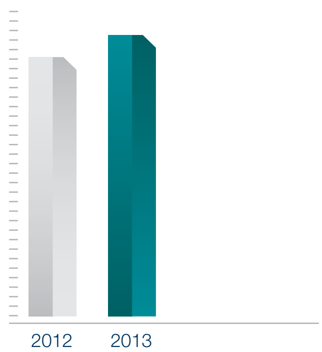


Territory backlog as a % of total Group backlog as at December 2013

Net operating income

$395m

(2012: $364m)



2013 Commentary

Contracts awarded:

- Statoil's major Aasta Hansteen project in Northern Norway
- Statoil's Sealines Modifications and Oseberg Delta 2 projects offshore Norway
- Statoil's Mariner and Talisman's Montrose Area Redevelopment project in the UK North Sea
- Dana Petroleum's Western Isles project in the UK North Sea
- Extensive frame agreement and day-rate activities meeting client planned and unplanned requirements.

Operations:

- Significant progress made on Total's Laggan Tormore Project West of Shetland
- Good start made on Martin Linge project on the Norwegian Continental Shelf
- Good progress made on BG's Knarr project in the Norwegian North Sea
- The *Seven Oceans* redeployed outside the North Sea from mid-2013 to 2015.

Successful completions:

- Our first reeled Pipe-in-Pipe (PIP) project on Svalin for Statoil on the Norwegian Continental Shelf
- Successful completion of Suncor's flowline replacement project in Canada.

Market overview and outlook

Market summary

In the North Sea and Canada Territory, projects remain a combination of lump-sum and day-rate contracts, typically executed within framework agreements. There is a trend towards larger, more complex projects and an increasing preference among operators for the EPIC contracting model. Our capabilities and established EPIC track record give us a key differentiator which only a limited number of contractors are positioned to offer.

Technology requirements in the region are increasingly complex due to the move to harsher operating environments, deeper waters and more complex flow assurance requirements. We have a proven capability in developing and applying key enabling technologies, including pipeline Bundles, mechanically lined pipe, Pipe-in-Pipe (PIP) insulated flowlines and remote intervention tooling.

Complex new discoveries as well as the prioritisation of increased oil recovery from existing reserves are increasing the focus on new subsea processing installations, particularly on the Norwegian Continental Shelf. Specialist remote intervention, autonomous inspection and integrity management technologies are being developed to extend the life of existing fields and infrastructure.

Subsea 7 is well positioned to support these initiatives with more than 1,000 engineers across the North Sea and with a large and versatile fleet capable of carrying out all types of subsea intervention work.

LOF operations, usually executed on a day-rate basis, remain an important and growing segment of the North Sea and Canadian markets. Although much of the existing oil and gas subsea infrastructure is nearing the end of its original design life, it now requires revitalisation to support new satellite developments. We are a leader in providing support to our clients for their current LOF needs, and well placed to support them in the future.

Highlights

2013 was characterised by a high level of tendering and our strong technology offering, combined with our fleet size and versatility, resulted in key contract awards for both SURF and LOF segments. This has enabled us to sustain our backlog at a record level for 2014 and beyond with a balanced portfolio of projects.

During the year, we successfully installed our first reeled PIP project on Svalin for Statoil, and were awarded the milestone Aasta Hansteen project north of the Arctic Circle. This complex, technically advanced contract is the largest SURF project awarded by Statoil to date.

In 2013 we have seen a high activity level under all of our frame agreements across the Territory. This work is mainly related to Life-of-Field activities and minor capex projects.

We continue to hold a strong position within LOF in the North Sea with the renewal of a number of Inspection, Repair and Maintenance (IRM) frame agreements.

A new-build state-of-the-art IRM vessel, the *Seven Viking*, in which we hold a 50% interest, successfully commenced operations on a multi-year contract agreement with Statoil in early 2013.

Outlook

The short-term market outlook is more challenging than in recent years, with some clients deferring large EPIC project awards. We also see increased competition in the Territory.

However, our established capability in engineering, project management and supply chain, our diverse fleet and our focus on technology, position us well to deliver superior performance across our market segments in all of the oil and gas provinces in the North Sea and Canada.

Our offshore presence will be enhanced by the delivery of the new-build Dive Support Vessel the *Seven Kestrel*, expected in 2015, followed by a new high-performance heavy construction vessel, the *Seven Arctic*, in 2016. These assets will offer added versatility in the diving market and on large and remote SURF projects.

In the medium to long term, the increasing demand for Life-of-Field expertise, together with discoveries in mature sectors of the UK and Norway and in frontier areas such as the Barents Sea, West of Shetland and offshore Canada, all represent exciting opportunities.

Andrew: longest Bundle tie-back ever completed

Our workscope for BP's Andrew development in the UK North Sea involved the engineering, fabrication, installation and pre-commissioning of a 28km pipeline Bundle system at our unique fabrication site at Wick, in North East Scotland. The 34-inch diameter pipeline is the longest Bundle tie-back ever completed.

The Andrew Bundle consists of four individual Bundles daisy-chained together, a retrofit caisson riser containing production, gas lift and methanol pipelines and a J-tube for an umbilical riser.

Our Wick fabrication site has delivered over 70 successful Bundle installations since it pioneered the concept in 1978 and is currently undergoing a two-year, $9 million refurbishment programme in support of its busiest-ever production phase.

BOARD OF DIRECTORS

1. Kristian Siem, 1949
Chairman[2, 3]

Mr Siem became Chairman of the Board of Directors of Subsea 7 in January 2011, prior to which he was Chairman of the Board of Directors of Subsea 7 Inc. from January 2002. Mr Siem has a degree in Business Economics and has been active in the oil and gas industry since 1972. Mr Siem is the Chairman of Siem Industries Inc. and Vice Chairman of NKT Holding A/S. Mr Siem is a Director of Siem Offshore Inc., Siem Shipping Inc. (formerly Star Reefers Inc.), North Atlantic Smaller Companies Investment Trust plc and Frupor S.A. Past directorships include Kvaerner ASA and Transocean Inc.

Mr Siem is a Norwegian citizen.

2. Sir Peter Mason KBE, 1946
Senior Independent Director*[2]

Sir Peter Mason KBE has been the Senior Independent Director of Subsea 7 S.A. since January 2011, prior to which he was Chairman of Subsea 7 S.A. from May 2009. Previously he served as an Independent Director of Subsea 7 S.A. from October 2006. Sir Peter brings extensive management and oil service experience, having served as Chief Executive of AMEC from 1996 until his retirement in September 2006. Prior management positions include Executive Director of BICC plc and Chairman and Chief Executive of Balfour Beatty. He is a Fellow of the Institution of Civil Engineers, a Fellow of the Royal Academy of Engineering and holds a Bachelor of Science degree in Engineering. Sir Peter was a Non-Executive Director of BAE Systems plc from January 2003 until May 2013 and has been Chairman of the Board of Directors of Thames Water Utilities Ltd since December 2006 and a Non-Executive Director of Spie S.A since 2011.

Sir Peter is a British citizen.

3. Jean Cahuzac, 1954
Chief Executive Officer

Mr Cahuzac has been Chief Executive Officer of Subsea 7 since April 2008 and an Executive member of the Board of Directors since May 2008. Mr Cahuzac has over 30 years' experience in the offshore oil and gas industry, having held various technical and senior management positions around the world. From 2000 until April 2008 he worked at Transocean in Houston, US, where he held the positions of Chief Operating Officer and then President. Prior to this he worked at Schlumberger from 1979 to 2000 where he served in various positions including Field Engineer, Division Manager, VP Engineering and Shipyard Manager, Executive VP and President of the drilling division. He holds a Master's degree in Mechanical Engineering from École des Mines de St-Ètienne and is a graduate of the French Petroleum Institute in Paris. Mr Cahuzac is a Board member of Shelf Drilling Inc. and has no other external appointments with public companies. As an Executive Director, Mr Cahuzac is not a member of any of the Board Committees.

Mr Cahuzac is a French citizen.

4. Eystein Eriksrud, 1970
Director[1]

Mr Eriksrud joined the Board of Directors of Subsea 7 S.A. in March 2012. Mr Eriksrud is the Deputy CEO of the Siem Industries Group. Prior to joining Siem Industries in October 2011, Mr Eriksrud was a partner in the Norwegian law firm Wiersholm Mellbye & Bech, from 2005, working as a business lawyer, particularly in the shipping, offshore and oil service sectors. Mr Eriksrud was Group Company Secretary of the Kvaerner Group from 2000–2002 and served as Group General Counsel of the Siem Industries Group from 2002–2005. He is a candidate of jurisprudence from the University of Oslo. Mr Eriksrud has served on the boards of Privatbanken ASA and Tinfos AS as well as a number of other boards. He is the Chairman of Siem Offshore Inc. and Veripos Inc, and a Director of Siem Kapital AS, VSK Holdings Ltd, Venn Partners LLP, Siem Car Carriers AS, Siem Capital UK Ltd. and Siem Europe Sarl.

Mr Eriksrud is a Norwegian citizen.

Committee membership
1. Audit Committee
2. Corporate Governance and Nominations Committee
3. Compensation Committee

5. Dod Fraser, 1950
Independent Director*[1]

Mr Fraser joined the Board of Directors of Subsea 7 S.A. in December 2009. Mr Fraser is President of Sackett Partners Incorporated, a consulting company, and a member of various corporate boards. Mr Fraser served as a Managing Director and Group Executive with Chase Manhattan Bank, now JP Morgan Chase, leading the global oil and gas group from 1995 until 2000. Until 1995 he was a General Partner of Lazard Frères & Co. Mr Fraser has been a trustee of Resources for the Future, a Washington-based environmental policy think-tank. He is a graduate of Princeton University.

Mr Fraser is a Board member of Forest Oil Corporation as well as a Board member of OCI GP LLC, which is the general partner of OCI Partners LP.

Mr Fraser is a US citizen.

6. Robert Long, 1946
Independent Director*[1,3]

Mr Long joined the Board of Directors of Subsea 7 S.A. in January 2011. Mr Long served as Chief Executive Officer and a member of the Board of Directors of Transocean Ltd. from October 2002 until his retirement in February 2010. Mr Long served as President from 2001 to 2006, Chief Financial Officer from 1996 to 2001 and Senior VP of Transocean from May 1990 until the merger with Sedco Forex in 2000, at which time he assumed the position of Executive VP. During his 35-year career with Transocean, his international assignments included the UK, Egypt, West Africa, Spain and Italy. Mr Long is a graduate of the U.S. Naval Academy and Harvard Business School, and served five years in the Naval Nuclear Power Programme before joining SONAT Inc, the parent company of The Offshore Company (which subsequently became Transocean Ltd.), in 1975. Mr Long has no other external appointments to public companies.

Mr Long is a US citizen.

7. Allen Stevens, 1943
Independent Director*[2,3]

Mr Stevens joined the Board of Directors of Subsea 7 S.A. in January 2011. Prior to this he was a member of the Board of Directors of Subsea 7 Inc. from December 2005. Mr Stevens gained extensive marine industry and maritime financing experience holding senior executive and management positions with Great Lakes Transport Limited, McLean Industries Inc. and Sea-Land Service Inc. A graduate of the University of Michigan and Harvard Law School, Mr Stevens brings to the role many years of experience in shipping, finance and management. Mr Stevens is a Vice President of Masterworks Development Corporation, a hotel developer and operator.

Mr Stevens is a US citizen.

Independent Directors
* As used above, 'independence' is defined as per the rules and codes of corporate governance of the Oslo Børs on which Subsea 7 S.A. is listed and which the Board must satisfy, in particular the Norwegian Code of Practice for Corporate Governance.

Under the terms of the Company's Articles of Incorporation, directors may be elected for terms of up to two years and serve until their successors are elected. The current term for Mr Kristian Siem, Sir Peter Mason KBE, Mr Jean Cahuzac, Mr Eystein Eriksrud and Mr Robert Long will expire at the Annual General Meeting on 27 June 2014. The current term of the remaining directors, Mr Dod Fraser and Mr Allen Stevens, will expire at the Annual General Meeting to be held in June 2015. Under the Company's Articles of Incorporation, the Board must consist of not fewer than three directors.

EXECUTIVE MANAGEMENT TEAM

Name	**Jean Cahuzac,** 1954	**John Evans,** 1963	**Steve Wisely,** 1962
Title	Chief Executive Officer	Chief Operating Officer	Executive Vice President – Commercial
Appointment	Mr Cahuzac has been Chief Executive Officer of Subsea 7 since April 2008 and became an Executive member of the Board of Subsea 7 S.A. in May 2008.	Mr Evans has been Chief Operating Officer of Subsea 7 since July 2005.	Mr Wisely has been Executive Vice President – Commercial of Subsea 7 since January 2010.
Skills and experience	Jean's full biography is included under Board of Directors on page 30.	John started his career in the oil and gas engineering and contracting sector in 1987, working with Kellogg Brown & Root (KBR). During 18 years with KBR he gained a successful record in general management, commercial and operational roles in the offshore oil and gas industry. Prior to joining Subsea 7, between 2002 and mid-2005, John was Chief Operating Officer for KBR's Defence and Infrastructure business in Europe and Africa. Mr Evans has a Bachelor of Engineering degree in Mechanical Engineering from Cardiff University, is a Chartered Mechanical and Marine Engineer and a Chartered Director. Mr Evans is a British citizen.	Steve started his career in the oil and gas industry with Wharton Williams (2W) in Aberdeen in 1987. Since then he has held a number of commercial and operational positions with Subsea 7 and its predecessor companies in the UK and overseas, including Norway and Singapore. In 1997 Steve was appointed Vice President Asia Pacific, based in Singapore. He returned to the UK in 2006 as Vice President UK and then Vice President Global Business Acquisition. During 2009 Steve spent a further period in Asia Pacific before taking up his current role. Mr Wisely is a graduate of Robert Gordon University in Aberdeen with a degree in Quantity Surveying. Mr Wisely is a British citizen.

Roles in 'Subsea 7' are referred to as the amalgamation of respective roles in the legacy entities ie Acergy S.A and Subsea 7 Inc., including roles prior to or after the Combination of the two businesses in January 2011.

Nathalie Louys, 1963

General Counsel

Ms Louys has been General Counsel of Subsea 7 since April 2012.

Nathalie started her legal career in 1986, working with Saint Gobain and Eurotunnel, gaining extensive legal experience across a number of industries.

In 1996 she joined Technip, based in Paris, progressing to the role of Vice President Legal – Offshore.

In 2006 Nathalie joined Subsea 7 and subsequently worked in a number of senior corporate and operational legal roles. Prior to her current appointment Nathalie was Vice President Legal – Commercial.

Ms Louys is admitted to the Paris Bar and has legal qualifications from University Paris 1 – Panthéon Sorbonne and Paris XI in France and the University of Kent in the UK.

Ms Louys is a Belgian citizen.

Keith Tipson, 1958

Executive Vice President – Human Resources

Mr Tipson has been Executive Vice President – Human Resources of Subsea 7 since November 2003.

Keith began his career in the engineering and construction project sectors in 1980, working with the Dowty Group.

In 1988 he moved to Alstom where he held a number of roles based in Belgium, France, Switzerland and the UK, including the positions of Human Resources Director for the Industrial Equipment Division, the International Network and the Steam and Hydro segments of the ABB Alstom Power joint venture.

Prior to joining Subsea 7 he held the position of Senior Vice President Human Resources, Power Sector, based in Paris.

Mr Tipson has a business degree from the University of West London.

Mr Tipson is a British citizen.

Ricardo Rosa, 1956

Chief Financial Officer

Mr Rosa has been Chief Financial Officer of Subsea 7 since July 2012.

Ricardo started his career in 1977 with Price Waterhouse in London and transferred in 1981 to Rio de Janeiro.

In 1983 he joined Schlumberger where he held various financial positions in the Group, working in Paris, Jakarta, Rio de Janeiro, Caracas, Milan and London.

In 2000 he joined Transocean as Vice President and Controller in Houston, subsequently becoming Senior Vice President for Asia Pacific and Middle East in Singapore, and then for Europe and Africa, in Paris.

Prior to joining Subsea 7, he was Transocean's Executive Vice President and CFO.

Mr Rosa holds an MA in Modern Languages from Oxford University and is a member of the Institute of Chartered Accountants in England and Wales.

Mr Rosa has dual British and Brazilian citizenship.

2013 Corporate Governance Report

The Board of Directors is committed to meeting high corporate governance standards in pursuing our corporate vision. We are committed to cultivating a value-based performance culture that rewards exemplary ethical behaviours, respect for the environment, and personal and corporate integrity. We believe that there is a link between high-quality governance and the creation of shareholder value.

The Board of Directors has determined the Values by which the Group conducts its business as set out on page 2. Corporate social responsibility is embedded in these Values and the Group's Code of Conduct enforces these Values. The Subsea 7 Code of Conduct is available on Subsea 7's website: www.subsea7.com.

Corporate governance at Subsea 7

Subsea 7 S.A.'s Board of Directors is responsible for, and committed to, the maintenance of high standards of corporate governance at all times throughout the Group. The Board of Directors strongly believes that the observance of these standards is in the best interests of all our stakeholders.

The Board of Directors is charged with ensuring that the Group conducts its business, in accordance with exacting standards of business practice worldwide and observes high ethical standards. The Group conducts its operations in challenging environments, which heightens the need for a robust culture of governance, and the role of the Board of Directors is to proactively encourage, monitor and safeguard this governance culture. The Board of Directors and its Committees oversee the management of the Group's operations and the effectiveness of its internal controls.

The work of the Board of Directors is based on a clearly defined division of roles and responsibilities between the shareholders, the Board of Directors and the Executive Management Team. Our governing structures and controls help to ensure that we run our business in an appropriate manner for the benefit of shareholders, employees, clients and other stakeholders in the societies in which the Group operates.

Legal and regulatory framework

Subsea 7 S.A. is a 'société anonyme' organised in the Grand Duchy of Luxembourg under the Company Law of 1915, as amended, and was incorporated in Luxembourg in 1993 as the holding company for all of the Group's activities.

Subsea 7 S.A.'s registered office is located at 412F, route d'Esch, L-2086 Luxembourg. The Company is registered with the Luxembourg Register of Commerce and Companies under the designation 'R.C.S. Luxembourg B 43172'. As a company incorporated in Luxembourg and with shares traded on the Oslo Børs and ADRs traded over-the-counter in the US, Subsea 7 S.A. is subject to Luxembourg laws and regulations with respect to corporate governance.

As a company listed on the Oslo Børs, the Company follows the Norwegian Code of Practice for Corporate Governance on a 'comply or explain' basis, where this does not contradict Luxembourg laws and regulations. The Norwegian Code of Practice for Corporate Governance is available at http://www.nues.no/en/ .

The Group's corporate governance policies and procedures are explained below, with reference to the principles of corporate governance as set out in the sections identified in the Norwegian Code of Practice for Corporate Governance dated 23 October 2012.

Implementation and reporting on corporate governance

Subsea 7 S.A. acknowledges the division of roles between shareholders, the Board of Directors and the Executive Management Team. The Group further ensures good governance is adopted by holding regular Board of Directors' meetings which the Executive Management Team attends to present strategic, operational and financial matters.

The Group's vision is:

To be acknowledged by our clients, our people and our shareholders as the leading strategic partner in seabed-to-surface engineering, construction and services.

The Group's Values focus on: Safety, Integrity, Innovation, Performance and Collaboration.

In pursuit of the five Values, the Group has a Code of Conduct which reflects its commitment to shareholders, employees and clients to conduct business legally and with integrity and honesty. The Code of Conduct was approved by the Board of Directors and was issued to all directors, officers and employees and is subject to periodic review and updating.

Articles of Incorporation

As stated in its Articles of Incorporation, Subsea 7 S.A.'s business activities are as follows:

"The objects of the Company are to invest in subsidiaries which predominantly will provide subsea construction, maintenance, inspection, survey and engineering services, in particular for the offshore oil and gas and related industries. The Company may further itself provide such subsea construction, maintenance, inspection, survey and engineering services, and services ancillary to such services. The Company may, without restriction, carry out any and all acts and do any and all things that are not prohibited by law in connection with its corporate objects and to do such things in any part of the world whether as principal, agent, contractor or otherwise. More generally, the Company may participate in any manner in all commercial, industrial, financial and other enterprises of Luxembourg or foreign nationality through the acquisition by participation, subscription, purchase, option or by any other means of patents and licences which it will administer and exploit; it may lend or borrow with or without security, provided that any monies so borrowed may only be used for the purposes of the Company, or companies which are subsidiaries of or associated with or affiliated to the Company; in general it may undertake any operations directly or indirectly connected with these objects."

Luxembourg law requires the convening of an extraordinary general meeting of shareholders to resolve upon any amendment to the Articles of Incorporation. An extraordinary general meeting of shareholders must have a quorum of at least 50% of the capital present or represented. If that quorum is not reached, the extraordinary general meeting of shareholders may be reconvened. At such reconvened meeting, no quorum will be required. Irrespective of whether the proposed matter will be subject to a vote at the first or at a subsequent extraordinary general meeting of shareholders, its approval will require at least two-thirds of the votes cast in favour at such extraordinary general meeting of shareholders. Abstentions are not considered as votes.

The Company's Articles of Incorporation are available on Subsea 7's website: www.subsea7.com.

Business

The Board of Directors has set strategies and targets for the Company's business.

Subsea 7 provides all the products and services required for subsea field development, including project management, design and engineering, procurement, fabrication, survey, installation, and commissioning of production facilities on the seabed and the tie-back of these facilities to fixed or floating platforms or to the shore.

The Group also offers the full spectrum of products and capabilities to deliver full Life-of-Field services to its clients.

Through the i-Tech division, the Group provides ROVs and intervention tooling services to support exploration, production and drilling activities.

Further details of the Group's business are outlined in the 'What we do' section on pages 4–5 and 'Where we operate' on pages 6–7.

Equity and dividends

Shareholders' equity

Total shareholders' equity at 31 December 2013 was $6.57 billion (2012: $6.32 billion) which the Board of Directors believes is satisfactory given the Group's strategy, objectives and risk profile.

Dividend policy

It is Subsea 7's objective to give its shareholders a competitive return on their invested capital. The return is to be achieved through a combination of dividend payments, share repurchases and an increase in the value of the Company's shares over time through disciplined investment in value-adding growth opportunities.

The Board of Directors each year, after evaluating the Company's financial position and re-investment opportunities, may decide to recommend that shareholders approve at the Annual General Meeting (AGM) an appropriate dividend. This dividend will normally be paid in the month following the approval at the AGM.

Equity mandates

At the 2011 Annual General Meeting, and in accordance with the Articles of Incorporation, the Board of Directors was given authority under which it can approve the purchase of Company shares up to a limit of 10% of the issued common shares, net of the common shares previously repurchased and still held. This authority is subject to certain purchase price conditions and applies to purchases completed on or before 26 May 2016. Such a mandate, valid for five years, is allowed under Luxembourg law under which the Company is incorporated.

Equal treatment of shareholders and transactions with close associates

Different classes of shares

The Company has one class of shares which are listed on the Oslo Børs. Each share carries equal rights including an equal voting right at annual or extraordinary general meetings of shareholders of the Company. No shares carry any special control rights. The Articles of Incorporation contain no restrictions on voting rights. The Board of Directors' right to acquire the Company's own shares (as detailed above) is conditional on such purchases being made in open market transactions through the Oslo Børs, subject to certain limitations.

Share issues

Under the Articles of Incorporation, the Board of Directors is authorised to suppress the pre-emptive rights of shareholders under certain circumstances. As stipulated in the Articles of Incorporation, this is to allow flexibility to deal with matters deemed to be in the best interest of the Company.

Under the Articles of Incorporation, the Board of Directors is authorised to issue a number of shares corresponding to the difference between the authorised and issued share capital. On 9 November 2015 the authorisation to issue shares under the authorised share capital will expire and any authorised but unissued shares will lapse.

In the event of the Board of Directors resolving to issue new shares and waive the pre-emptive rights of existing shareholders, the Board of Directors intends to comply with the recommendation of the Norwegian Code of Practice for Corporate Governance that the justification for such waiver is noted in the Stock Exchange announcement relating to such a share issue.

Related party transactions

Any transactions between the Group and members of the Board of Directors, executive management or close associates are detailed in Note 35 'Related party transactions' to the Consolidated Financial Statements.

The Board of Directors will, from time to time, determine the necessity of obtaining third-party valuations on transactions with related parties. Under Luxembourg law, directors may not vote on transactions in which they are personally interested.

The Group's Code of Conduct requires any director or employee to declare if they hold any direct or indirect interest in any transaction entered into by the Group.

Freely negotiable shares

Subsea 7's shares are traded as common shares on the Oslo Børs and as ADRs over-the-counter in the US. All shares are freely negotiable. The Articles of Incorporation contain no form of restriction on the negotiability of shares in the Company.

General meetings

The AGM is held each year, on the fourth Friday in June, in Luxembourg. The notice of meeting and agenda documents for the AGM are posted on the Group's website at least 21 days prior to the meeting and shareholders receive the information at least 21 days prior to the meeting by mail. Documentation from previous AGMs is available on the Subsea 7 website: www.subsea7.com.

All shareholders that are registered with the Norwegian Central Securities Depository System receive a written notice of the AGM. The Company will set a record date. Subject to the procedures described in the Articles of Incorporation, all shareholders, holding at least 10% of the issued shares, have the right to submit proposals or draft resolutions. All shareholders on the register as at the record date will be eligible to attend in person, or vote by proxy, at the AGM.

Proxy forms are available and may be submitted by eligible shareholders which allow separate voting instructions to be given for each matter and for each of the candidates nominated and also allow a person to be nominated to vote on behalf of shareholders as their proxy.

The record date is set as close as practicable to the date of the AGM, taking into account the differing deadlines for ADR and common share proxies. Procedures will be in place to vote separately on each candidate nominated for election to the Board of Directors. Resolutions and supporting information distributed to the shareholders ahead of the AGM will be sufficiently detailed.

The Articles of Incorporation of the Company stipulate that the AGM be chaired by the Chairman of the Board of Directors. However, in the event the Chairman is absent, then the Board of Directors ordinarily delegates authority to the Company Secretary to chair the AGM. However, if a majority of the shareholders request an alternative independent chairman, one will be appointed.

All directors are encouraged to attend the AGM. The AGM of shareholders, *inter alia*, elects the Board of Directors for nominated terms of appointment, approves the Company's Annual Accounts, the Annual Report and Consolidated Financial Statements of the Group, votes on the discharge of the directors and Company and appoints the external auditor. The Chairman of the Board of Directors is elected by the directors.

Nominations Committee

The Board of Directors has established a Corporate Governance and Nominations Committee. The composition of this Committee is for the Board of Directors to determine. The Board of Directors believes that the Committee, comprising certain members of the Board of Directors, the majority of whom are independent of the Company's main shareholders, has the most suitable level of understanding of the Company to carry out the duties of the Committee.

Corporate Governance and Nominations Committee

Committee members
Sir Peter Mason KBE – Committee Chairman
Kristian Siem
Allen Stevens

The Corporate Governance and Nominations Committee's main responsibilities are:

1. Actively seeking and evaluating individuals qualified to become directors of the Company and nominating director candidates to the Board of Directors.
2. Periodically reviewing the composition and duties of the Company's permanent committees and recommending any changes to the Board of Directors.
3. Periodically reviewing the compensation of directors and making any recommendations to the Board of Directors.
4. Annually reviewing the duties and performance of the Chairman of the Board and recommending to the Board of Directors a director for election by the Board of Directors to the position of Chairman of the Board.
5. Annually reviewing the Corporate Governance Guidelines, procedures and policies of the Board of Directors and recommending to the Board of Directors any changes and/or additions thereto that they believe are desirable and/or required.

   These governance guidelines include the following:

- How the Board of Directors is selected and compensated (size of and term of the members of the Board of Directors, selection, compensation and qualifications of directors, independence, director retirement and conflicts of interests)
- How the Board of Directors functions (for example, procedures for Board meetings, agendas, committee structure and format and distribution of Board materials)
- How the Board of Directors interacts with shareholders and management (for example, selection and evaluation of the CEO, succession planning, communications with shareholders and access to management).

6. Overseeing all aspects of Subsea 7's compliance and ethics function.
7. Overseeing the annual evaluation of the Board of Directors' performance.
8. Annually reviewing the Committee's own performance.

The Committee's Charter is available on the Subsea 7 website: www.subsea7.com.

Corporate assembly and Board of Directors: composition and independence

As a Luxembourg incorporated entity, the Company does not have a corporate assembly.

The Board of Directors comprises seven directors, the majority of whom are independent.

Board members

Kristian Siem	Chairman
Sir Peter Mason KBE	Senior Independent Director
Jean Cahuzac	Chief Executive Officer
Eystein Eriksrud	Director
Dod Fraser	Independent Director
Robert Long	Independent Director
Allen Stevens	Independent Director

Biographies of the individual directors are detailed on pages 30–31.

The majority of the directors were, during the financial year 2013, considered independent in accordance with the rules and codes of corporate governance of the Oslo Børs on which Subsea 7 S.A. is listed and which the Board of Directors must satisfy. In particular, the Board of Directors must at all times satisfy the independence criteria of the Norwegian Code of Practice for Corporate Governance.

Mr Cahuzac, the Chief Executive Officer (CEO), was first appointed to the Board of Directors in May 2008. The Board of Directors operates controls to ensure that no conflicts of interest exist with respect to his position on the Board of Directors. The Charters of the permanent committees do not permit executive management to be members. Accordingly, Mr Cahuzac does not sit on any of the Committees. The composition of the Company's Board of Directors and the controls to avoid conflicts of interest are in accordance with both Luxembourg company law and good corporate governance practice.

The Board of Directors endeavours to ensure that it is constituted by directors with a varied background and with the necessary expertise, diversity and capacity to ensure that it can effectively function as a cohesive body. Prior to proposing candidates to the relevant general meeting for election to the Board of Directors, the Corporate Governance and Nominations Committee recommends candidates to the Board of Directors which then seeks to consult with the Company's major shareholders.

Directors are elected by a general meeting for a term not exceeding two years and may be re-elected. Directors need not be shareholders. The general meeting may dismiss any director, with or without cause, at any time notwithstanding any agreement between the Company and the director. Such dismissal may not prejudice the claims that a director may have for indemnification as provided for in the Articles of Incorporation or for a breach of any contract existing between him or her and the Company.

If there is a vacancy on the Board of Directors, the remaining directors appointed by the general meeting have the right to appoint a replacement director until the next meeting of shareholders who will ratify such appointment.

The Articles of Incorporation provide that, with the exception of a candidate recommended by the Board of Directors, or a director whose term of office expires at a general meeting of the Company, no candidate may be appointed unless at least three days and no more than 22 days before the date of the relevant meeting, a written proposal, signed by a shareholder duly authorised, shall have been deposited at the registered office of the Company together with a written declaration, signed by the proposed candidate confirming his or her wish to be appointed.

Attendance by directors at the meetings of the Board of Directors and its Committees during 2013 is summarised below:

2013 Meetings

	Board	Audit Committee	Corporate Governance and Nominations Committee	Compensation Committee
Kristian Siem	5/5		3/3	3/3
Sir Peter Mason KBE	5/5		3/3	
Jean Cahuzac	5/5			
Dod Fraser	5/5	4/4		
Robert Long	5/5	2/4		3/3
Arild Schultz*	3/5			1/3
Allen Stevens	5/5		3/3	1/3
Trond Westlie**	2/5	2/4		
Eystein Eriksrud	5/5	4/4		

* Arild Schultz retired from the Board of Directors and the Compensation Committee on 28 June 2013

** Trond Westlie retired from the Board of Directors and the Audit Committee on 28 June 2013

The directors of the Board are encouraged to hold shares in the Company as the Board of Directors believes it promotes a common financial interest between the members of the Board of Directors and the shareholders of the Company. Details of the directors' share holdings are on page 99.

The work of the Board of Directors

The Board of Directors adheres to the Board Charter.

The Board of Directors' main responsibilities are:

1. Setting the values used to guide the affairs of the Group. This includes the Group's commitment to achieving its health and safety vision and the Group's adherence to the highest ethical standards in all of its operations worldwide.
2. Integrating environmental improvement into business plans and strategies, and seeking to embed sustainability into the Group's business processes.
3. Overseeing the Group's compliance with its statutory and regulatory obligations and ensuring that systems and processes are in place to enable these obligations to be met.
4. Setting the strategy and targets of the Group.
5. Establishing and maintaining an effective corporate structure for the Group.
6. Overseeing the Group's compliance with financial reporting and disclosure obligations.
7. Overseeing the risk management of the Group.
8. Overseeing Group communications.
9. Determining its own composition, subject to the provisions of the Company's Articles of Incorporation.
10. Ensuring the effective corporate governance of the Group.
11. Setting and approving policies.

The Board of Directors' Charter is available on the Subsea 7 website: www.subsea7.com.

During the year, the Board of Directors sets a plan for its work for the following year, which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and the review and monitoring of the Group's current year financial performance. In 2014, the Board of Directors is scheduled to convene on six occasions, but the schedule is flexible to react to operational or strategic changes in the market and Group circumstances.

The Board of Directors has overall responsibility for the management of the Group and has delegated the daily management and operations of the Group to the CEO, who is appointed by, and serves at, the discretion of the Board of Directors. The CEO is supported by the other members of the Executive Management Team, further details of whom are on pages 32–33. The Executive Management Team has the collective duty to deliver Subsea 7's strategic, financial and other objectives, as well as to safeguard the Group's assets, organisation and reputation.

It is the duty of the Executive Management Team to provide the Board of Directors with appropriate, precise and timely information on the operations and financial performance of the Group, in order for the Board of Directors to perform its duties. In addition to the previously mentioned Corporate Governance and Nominations Committee, the Board of Directors has established a Compensation Committee and an Audit Committee, each of which has a Charter approved by the Board of Directors. Matters are delegated to the Committees as appropriate. The directors appointed to these Committees are selected based on their experience and to ensure the Committees operate in an effective manner. The minutes of all Committee meetings are circulated to all directors.

The performance and expertise of the Board of Directors is monitored and reviewed annually, including an evaluation of the composition of the Board of Directors and the manner in which its members function, both individually and as a collegiate body.

Risk management and internal control

The Board of Directors acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. The Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group adopts internal controls appropriate to its business activities and geographical spread. The key components of the Group's system of internal control are described in the Risk Management section on pages 40–42. The Group has in place clearly defined lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of capital expenditure. The Executive Management Team meets with other senior management on a regular basis to discuss particular issues, including key operational and commercial risks, health and safety performance, and legal and financial matters.

The Group has a comprehensive annual planning and management reporting process. A detailed annual budget is prepared in advance of each year and supplemented by forecasts updated during the course of the year. Financial results are reported monthly to the Executive Management Team and quarterly to the Board of Directors and compared to budget, forecasts and prior year results. The Board of Directors reviews and approves reports on actual financial performance and forward-looking financial guidance.

The Board of Directors derives further assurances from the reports of the Audit Committee. The Audit Committee has been delegated responsibility to review the effectiveness of the internal financial control systems implemented by management and is assisted by internal audit and the external auditor where appropriate.

Remuneration of the Board of Directors

The Company's directors receive remuneration in accordance with their individual roles and Committee membership. The remuneration of the CEO is detailed in Note 35 'Related party transactions' to the Consolidated Financial Statements. The directors are encouraged to own shares in the Company but no longer participate in any incentive or share option schemes, with the exception of Mr Cahuzac in his capacity as CEO and as Executive Director. One Non-Executive Director (Sir Peter Mason) was previously awarded, and continues to hold, share options. The remuneration of the Board of Directors is approved at the AGM annually as part of the accounts and is disclosed in Note 35 'Related party transactions' to the Consolidated Financial Statements. Directors are not permitted to undertake specific assignments for the Group unless these have been disclosed to, and approved in advance by, the full Board of Directors.

Remuneration of the Executive Management

The Compensation Committee

Committee members
Kristian Siem – Committee Chairman
Robert Long
Allen Stevens

The Compensation Committee's main responsibilities are:

1. Reviewing annually and approving the compensation paid to executive officers of the Company with the exception of the CEO where the Committee may make a recommendation to the Board of Directors.
2. Establishing annually performance objectives for the Company's CEO and annually reviewing the CEO's performance against objectives and setting the CEO's compensation based on its evaluation.
3. Overseeing the Company's Benefit Plans in accordance with the objectives of the Company established by the Board of Directors.
4. Reviewing executive compensation plans and making recommendations to the Board of Directors on the adoption of new plans or programmes.
5. Recommending to the Board of Directors the terms of any contractual agreements and any other similar arrangements that may be entered into with executive officers of the Company and of its subsidiaries.
6. Approving appointments of the CEO, the CEO's direct reports and certain other appointments.
7. Preparing the report on executive compensation to be included in the Company's Annual Report and Consolidated Financial Statements.
8. Annually reviewing the Compensation Committee's own performance.

The Committee's Charter is available on the Subsea 7 website: www.subsea7.com.

The Group's remuneration policy is set by the Compensation Committee. The policy is designed to provide remuneration packages which will help to attract, retain and motivate senior management to achieve the Group's strategic objectives and to enhance shareholder value. The Compensation Committee benchmarks executive remuneration against comparable companies, and seeks to ensure that the Group offers rewards and incentives which are competitive with those offered by the Group's peers. The Committee also seeks to ensure that the remuneration policy is applied consistently across the Group, and that remuneration is fair and transparent, whilst encouraging high performance.

Remuneration comprises base salary, bonus, share-based payments, benefits-in-kind and pension. In benchmarking elements of remuneration against Subsea 7's peers, the Compensation Committee may from time to time take advice from external consultants. Performance-related remuneration schemes define limits in respect of the absolute awards available. These are defined within the scheme arrangements and set out limits regarding the total award in a given year and, in specific instances, the total award available to certain individuals.

Chief Executive Officer remuneration
The remuneration package of the CEO was determined by the Board of Directors on the recommendation of the Compensation Committee. As noted above, the compensation of the CEO is reported in Note 35 'Related party transactions' to the Consolidated Financial Statements.

Executive Management Team remuneration
The remuneration package of the other five members of the Executive Management Team was determined by the Compensation Committee and is shown in aggregate in Note 35 'Related party transactions' to the Consolidated Financial Statements.

Share ownership of Executive Management Team
Details of share options held and other interests in the share capital of the Company by the Executive Management Team are shown in Note 35 'Related party transactions' to the Consolidated Financial Statements.

Long-term incentive arrangements
The Group currently operates a single long-term incentive arrangement, the 2013 Long-term Incentive Plan (2013 LTIP), to reward and incentivise key management. There are also former schemes (as detailed in Note 35 'Related party transactions' to the Consolidated Financial Statements), which are now closed to new awards but which have not yet vested or lapsed. Full details of the 2013 LTIP are set out in Note 36 'Share-based payments' to the Consolidated Financial Statements.

Further details of the remuneration of the Executive Management Team are detailed in Note 35 'Related party transactions' to the Consolidated Financial Statements.

Information and communications
Subsea 7 S.A.'s Board of Directors concurs with the principles of equal treatment of all shareholders and the Group is committed to reporting financial results and other information on an accurate and timely basis. The Group provides information to the market through quarterly and annual reports, investor and analyst presentations which are open to the media, and by making operational and financial information available on Subsea 7's website. Announcements are released through notification to the company disclosure systems of the Oslo Børs and the Luxembourg Commission de Surveillance du Secteur Financier and simultaneously on the Subsea 7 website. As a listed company, the Company complies with the relevant regulations regarding disclosure. Information is only provided in English.

The Company complies in all material respects with the Oslo Børs' Code of Practice on the Reporting of IR Information, which is available at http://www.oslobors.no/ob_eng/Oslo-Boers/Listing/Shares-equity-certificates-and-rights-to-shares/Code-of-Practice-for-reporting-IR-Information.

Take-overs
Subsea 7 S.A.'s Board of Directors endorses the principles concerning equal treatment of all shareholders. In the event of a take-over bid, it is obliged to act in accordance with the requirements of Luxembourg law and in accordance with the applicable principles for good corporate governance.

The Company has been notified of the following significant beneficial owners who own more than 5% of the Company's issued share capital:

	%[a]
Siem Industries Inc	19.8%
Folketrygdfondet	7.6%

a) Information is correct as at 31 December 2013.

Audit Committee
The Audit Committee is responsible for ensuring that the Group has an independent and effective external and internal audit process. The Audit Committee supports the Board of Directors in the administration and exercise of its responsibility for supervisory oversight of financial reporting and internal control matters and to maintain appropriate relationships with the external auditor. Each of the Audit Committee members meets the independence requirements under Luxembourg law.

The terms of reference of the Audit Committee, as set out in the Audit Committee Charter, satisfy the requirements of applicable law and are in accordance with the Articles of Incorporation.

The Chairman of the Audit Committee is Dod Fraser, whose biography can be found on page 31. The Board of Directors has determined that Mr Fraser is the Audit Committee financial expert and competent in accounting and audit practice with recent and relevant financial experience. The Audit Committee's Charter requires that the Committee shall consist of not less than three directors. The Audit Committee meets at least four times a year, and its meetings are attended by representatives of the external auditor and by the head of the Internal Audit function.

Auditor

The external auditor meets the Audit Committee annually regarding the planning and preparation of the audit of the Group's Consolidated Financial Statements.

The Audit Committee members hold separate discussions with the external auditor during the year without the Executive Management Team being present. The scope, resources and level of fees proposed by the external auditor in relation to the Group's audit are approved by the Audit Committee.

The Audit Committee recognises that it is occasionally in the interests of the Group to engage its external auditor to undertake certain other non-audit assignments. Fees paid to the external auditor for audit and non-audit services are reported in the Company's Annual Accounts and the Consolidated Financial Statements of the Group, which are, in turn, approved at the AGM. The Audit Committee also requests the external auditor to confirm annually in writing that the external auditor is independent.

The Audit Committee

Committee members

Dod Fraser – Committee Chairman
Eystein Eriksrud
Robert Long

The Audit Committee's main responsibilities are:

1. Monitoring the financial reporting process.
2. Monitoring the effectiveness of the Company's and the Group's internal control, internal audit, financial controls framework and, where applicable, risk management systems.
3. Monitoring the statutory audit of the Company's Annual Accounts and the Consolidated Financial Statements of the Group.
4. Reviewing the quarterly, half-yearly and annual financial statements of the Group before their approval by the Board of Directors.
5. Reviewing and monitoring the independence of the external auditor, in particular with respect to the provision of additional services to the Company and the Group and making recommendations with respect to the selection and the appointment of the external auditor.
6. Reviewing the report from the external auditor on key matters arising from the Group statutory audit.
7. Dealing with complaints received directly or via management, including information received confidentially and anonymously, in relation to accounting, financial reporting, internal controls and external audit issues.
8. Reviewing the disclosure of transactions involving related parties.
9. Annually reviewing the Audit Committee's own performance.

The Committee's Charter is available on the Subsea 7 website: www.subsea7.com.

Directors' Responsibility Statement

We confirm that, to the best of our knowledge, the Consolidated Financial Statements for the year ended 31 December 2013 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group taken as a whole. We also confirm that, to the best of our knowledge, the 2013 Annual Report and Consolidated Financial Statements include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties facing the Group.

By Order of the Board of Directors of Subsea 7 S.A.

Kristian Siem
Chairman

4 March 2014

Jean Cahuzac
CEO and Director

4 March 2014

RISK MANAGEMENT

Managing risks and uncertainties

Effective risk management is fundamental to how the Group operates its business, delivers sustainable shareholder value and protects its reputation.

The SURF business, which represents the majority of the Group's revenue, is generally contracted on a fixed-price basis and involves the engineering, procurement, installation and commissioning of highly complex systems offshore on behalf of its clients. The Group knowingly assumes certain risks under these fixed-price contracts, the terms of which are designed to compensate for these risks. The Conventional and Hook-up, Life-of-Field, and i-Tech businesses have similar although less challenging risk profiles.

The Group's approach, therefore, is to identify, at an early stage, key risks and develop actions to measure, monitor, and mitigate or, where possible, eliminate their likelihood and impact. This approach is embedded throughout the Group and is an integral part of our day-to-day activities.

Roles and responsibilities

The Board of Directors has oversight of the Group's risk management activities and internal control processes. The CEO determines the level of risk which can then be taken by Corporate, Territory and Country management. This is managed through Group policies and delegated authority levels which, *inter alia*, provide the means by which risks are reviewed and then escalated to the appropriate management level within the Group up to and including the Board of Directors for review and approval.

The Executive Management Team is responsible for designing and implementing appropriate systems and procedures for the identification and management of risks, while ensuring that, within a given risk appetite, the business is able to optimise enterprise value.

The Executive Management Team is responsible for monitoring and managing operational and enterprise risk in pursuit of the Group's business objectives.

Principal risks

The principal risks and the means the Group employs to mitigate or eliminate those risks are set out below. Risks of particular importance are: health, safety, security and environmental risk, bidding risk, project execution, supply chain management and business conduct risks. Each of these has an increased potential to have a material adverse effect on the Group's reputation, operations, financial performance and position.

In common with many international businesses, the Group faces a number of financial and treasury risks and uncertainties and, in particular, those arising from managing exposures to the functional currencies of the Territories in which the Group operates. The Group has established controls and systems in place to manage such risks.

Additional risks and uncertainties that the Group is unaware of, or that it currently deems immaterial, may in the future have a material adverse effect on the Group's reputation, operations and/or financial performance and position. However, the Board of Directors believes that the Group's risk management and internal control systems have helped, and will continue to help, the Group to identify and respond to such risks.

Market risks

Risk	Mitigation
Economic Any significant change in the level or timing of our clients' expenditure plans could adversely impact the Group's order intake. Such plans could be impacted by demand for, and the price of, oil and gas as well as the introduction of alternative energy sources.	The Group works closely with its clients to understand their future plans. It also seeks to diversify selectively into new markets within the oil and gas sector and into other geographies for its services.
Competition The Group faces competition for both contracts and resources. Competition could result in pricing pressures, lower sales and reduced margins that would have an adverse effect on the operating results, financial performance and position of the Group.	The Group's experience and resources, in particular its fleet and technological abilities, help differentiate it from its competitors. We continually review and challenge our cost base to ensure the Group remains competitive.

Strategic risks

Risk	Mitigation
Geographic The Group operates in a number of developing and emerging markets which gives rise to a number of risks, including: • Legal and regulatory • Political • Business conduct • Financial • Operational.	Such risks are carefully considered prior to the Group entering such markets and are then monitored to ensure that appropriate mitigations are developed.
Technological change The Group's clients seek to develop oil and gas fields in increasingly deeper waters and more challenging offshore environments. Any failure by the Group to anticipate or respond appropriately to changing technology, market demands and client requirements could adversely affect the Group's reputation, operations and financial performance and position.	The Group continues to focus on developing new technologies and processes, and works with its clients to ensure that such technologies meet their evolving demands.

Organisation and management risks

Risk	Mitigation
People Failure to recruit and retain suitably skilled and capable personnel could adversely impact our ability to execute projects and our future growth.	The Group monitors attrition by function and geography and has developed appropriate remuneration and incentive packages to help attract and retain key employees. Performance management and succession planning processes are in place to help develop staff and identify high-potential individuals for key roles in the business.
Business conduct The Group's reputation and its ability to do business may be impaired by inappropriate behaviour by any of its employees, agents or other persons associated with it. While the Group is committed to conducting business in a legal and ethical manner, there is a risk that its employees, agents or such other persons may take actions that breach the Group's Code of Conduct and the law, and could result in monetary penalties, convictions, debarment and damage to its reputation and could therefore impact its ability to do business.	The Group's Code of Conduct clearly sets out the behaviours expected of its employees and those who work with it. Mandatory E-learning courses are used to raise awareness of the Code within the Group and encourage compliance. The Group's joint venture partners and suppliers are also expected to have in place procedures which support and comply with the Group's Code of Conduct. Appropriate due diligence is undertaken of all key suppliers, joint venture partners and agents to ensure that they meet the Group's Code of Conduct and its expectations.
Information technology and security The Group's operations depend on the availability and security of a number of key information technology (IT) systems. Disruption to these systems or a breach of information security could adversely impact the Group's ability to operate and its reputation.	The Group has a number of IT policies, including a policy on information security, designed to protect its systems and ensure their availability and integrity. Courses are used to raise awareness among employees of information security risks and of the Group's procedures to manage them.

Delivery and operational risks *(continued on page 42)*

Risk	Mitigation
Bidding risk The Group wins most of its work through a competitive tendering process. A significant proportion of the Group's work is undertaken by way of fixed-price contracts. Failure to estimate and understand the risks, costs and contractual terms involved in such contracts could have an adverse impact on the Group's profitability.	All bids are subject to the Group's estimating and tendering processes and authority levels. Cost estimates are prepared on the basis of a detailed standard costing analysis, and the selling price and contract terms are based on our commercial standards and market conditions. Before the tender is submitted, a formal review process is performed. Tenders are first reviewed at the Territory level where the technical, operational, legal and financial aspects of the proposal are considered in detail. Completion of the Territory review process requires the formal approval of the appropriate level of management. Dependent on the tender value, there is an escalating level of approval required, with the tenders having the highest value being approved by the Board of Directors.
Joint ventures The Group may, in certain instances, engage in a joint venture with selected partners to obtain the necessary expertise or local knowledge. A failure by a joint venture partner to perform to the standards required could result in financial and reputational loss to the Group.	The Group seeks to ensure that any joint venture partner selected not only has the necessary skills and experience but is also able to meet the Group's health, safety and environmental standards and its Code of Conduct.
Project execution The projects in which the Group is involved are complex and a failure to meet our clients' contractual requirements could have several adverse consequences (including contract disputes, non-agreed claims and cost overruns) which could adversely impact the Group's profitability and reputation. For most contracts, the offshore execution phase, which generally involves the use of either single or multiple vessels, is usually the most hazardous as this phase is exposed, among other risks, to adverse weather conditions which can result in unforeseen delays to the project or damage to vessels and equipment or injury to those working offshore.	The Group assigns a project management team to every project. Every project is assessed using the Project Monthly Status Report review process. These reviews cover financial performance, cost management, project progress, risk management and sensitivity analysis. Detailed assessments of costs and revenues are estimated and reported upon, taking into account project performance, planning schedules, contract variations, claims, allowances and contingency analysis. Registers of risks are maintained and periodically reviewed. The Group factors the risk of adverse weather conditions into the design of its vessels, equipment and procedures, as well as the training of its offshore workforce. It also works to mitigate the potential adverse financial consequences when negotiating contractual terms with the client.

Delivery and operational risks *(continued from page 41)*

Risk	Mitigation
Supply chain Failure of a key supplier could result in disruption to the Group's ability to complete a project in a timely manner. The resultant time delays could lead to increased and irrecoverable costs to the Group and the imposition of financial penalties from clients.	The financial stability and strength of the Group's supply chain is reviewed during the pre-qualification process and is considered prior to signing contracts. If necessary, appropriate guarantees or performance-related bonds are requested from our key suppliers. In addition, the Group seeks to develop strong long-term relationships with high-quality and competent suppliers who have worked successfully with it in the past.
Health, safety, security and environmental The Group's projects are complex and require the monitoring and management of health, safety, security and environmental risks associated with them. A failure to manage these risks could expose our people and those who work with us to injury or harm and could result in significant commercial, legal and reputational damage.	The Group has detailed health, safety, security and environmental policies which are designed to reduce such risks. These are subject to monitoring and review and are externally certified by accreditation bodies such as DNV.
Fleet management The Group has a fleet of vessels which are essential to the successful delivery of its projects. These vessels operate in a number of Territories which are subject to political, fiscal, legal and regulatory risks. Failure to manage such risks could lead to financial penalties. Availability of vessels could also be impacted due to delays to the completion of major repairs or upgrading of vessels (including dry dockings). In extreme and exceptional circumstances, the non-availability of a vessel through loss or irreparable damage could compromise the Group's ability to meet its contractual obligations.	The Group considers carefully the political, fiscal, legal and regulatory risks associated with the deployment of its vessels in the Territories in which it operates, and monitors changes and developments to ensure it is able to respond appropriately. Maintenance and dry dockings are subject to detailed planning, and procedures are in place to mitigate the risk of completion delays. The design and operational capability of a vessel is assessed carefully on its deployment to a particular project, and is then monitored closely during that project's execution. The impact of potential non-availability of a vessel is mitigated by both the size and diversity of the Group's fleet and its ability to access the vessel charter market.

Financial risks

Risk	Mitigation
Revenue recognition Individual period performance may be significantly affected by the timing of contract completion, at which point the final outcome of a project may be fully assessed. Until then, the Group, in common with other companies in the sector, uses the percentage of completion method of accounting for revenue and margin recognition. This method relies on the Group's ability to estimate future costs in an accurate manner over the remaining life of a project. As projects may take a number of years to execute, this process requires a significant degree of judgement, with changes to estimates or unexpected costs or recoveries potentially resulting in significant fluctuations in revenue and profitability.	Project performance is monitored by means of Project Monthly Status Reports (PMSRs) which record costs to date and estimates of costs to completion and the likely outcome in terms of profitability of each project. These PMSRs are subject to rigorous review and challenge at all key levels of management within the Group. Note 4 to the Consolidated Financial Statements provides more detail on the Group's approach to revenue recognition on long-term contracts.
Cash flow and liquidity The Group's working capital position will be affected by the timing of contract cash flows where the timing of receipts from clients (typically based on completion of milestones) may not necessarily match the timing of payments the Group makes to its suppliers. In executing some of its contracts the Group is often required by its clients in the normal course of business to issue performance-related bonds and guarantees. Access to credit from financial institutions in support of these instruments is fundamental to the Group's ability to compete, particularly for large EPIC contracts. The availability of short- and long-term external financing is required to help meet the Group's financial obligations as they fall due. In the event that such financing were to be unavailable or withdrawn, the Group's activities would be significantly constrained.	The Group seeks through committed banking facilities to meet its working capital needs and to finance the acquisition or construction of new assets. The Group cash position, access to liquidity and debt leverage are monitored closely by both the Executive Management Team and the Board.

Internal control

The Board of Directors is responsible for the oversight of the Group's system of internal controls and for reviewing its effectiveness. The Board recognises that any system of internal controls can only provide reasonable and not absolute assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated.

The Group's systems of internal controls operate through a number of processes. The more significant include:

- Delegated authority matrices with certain matters being reserved by the Board of Directors
- Annual review of the strategy, plans and budgets of individual Territories to identify the key risks to the achievement of the Group's objectives
- Monthly financial and performance reviews against budget
- Individual tender and contract reviews at various levels throughout the Group
- Capital expenditure and investment reviews and authorisation
- Regular reviews and reporting on the effectiveness of the Group's Health, Safety and Environmental processes
- Group Treasury policies
- The Group's whistleblowing policy, which allows individuals to raise concerns in confidence about suspicions of impropriety

The Group's internal audit function, which reports directly to the Audit Committee, performs independent reviews of key business financial processes and controls and other areas considered to be of high business risk. The Audit Committee annually reviews and approves the internal audit plan and receives regular updates on internal audit's findings and the actions taken by management to address them.

Financial highlights

In 2013, the Group experienced high levels of project activity across all Territories, with increased revenues in AFGOM and APME. Vessel utilisation was 81% compared with 86% in 2012. High levels of utilisation were achieved in 2013 on the Group's global enabling vessels and also the vessels under long-term charter agreements. These activity levels were offset in part by unfavourable comparisons to the first and fourth quarters of 2012 when utilisation was unusually high in NSC. Net operating income was adversely impacted by the recognition of a further $355 million full-life project loss provision on the Guará-Lula NE project in Brazil. The Group's joint ventures Seaway Heavy Lifting and SapuraAcergy contributed significantly to the Group's results in 2013.

As at 31 December 2013, the Group had a record backlog of $11.8 billion, with increased backlog across all Territories compared to 31 December 2012. Backlog in Brazil rose to $4.3 billion due to the renewal of existing pipelay support vessel (PLSV) contracts and awards for the operation of three new-build PLSVs.

The *Simar Esperança* joined the fleet in early 2013. The Group continued with its capital expenditure programme focused on fleet renewal and enhancement. The *Seven Waves,* a flexible PLSV for Brazil, successfully completed its sea trials, and the *Seven Kestrel,* a new diving support vessel for operation in NSC, is under construction with delivery expected in 2015. Building commenced on the *Seven Arctic,* a heavy construction vessel, due for delivery in 2016, and on three new PLSVs in the second half of the year.

The Group held cash and cash equivalents of $650 million at 31 December 2013.

For the year ended (in $ millions, except Adjusted EBITDA margin, share and per share data)	**2013 31 Dec**	2012 31 Dec
Revenue	**6,297**	6,297
Adjusted EBITDA[(a)]	**981**	1,139
Adjusted EBITDA margin[(a)]	**16%**	18%
Net operating income	**573**	808
Gain on disposal of NKT Flexibles	**–**	244
Net income	**350**	847
Backlog	**11,770**	9,086
Cash and cash equivalents	**650**	1,288
Borrowings	**912**	1,535
Earnings per share – in $ per share		
Basic	**1.04**	2.49
Diluted	**0.99**	2.23
Adjusted diluted[(a)]	**0.99**	1.59
Weighted average number of common shares	**374.7m**	380.2m

(a) For explanations and a reconciliation of Adjusted EBITDA and Adjusted EBITDA margin see the additional information on page 109. For an explanation and a reconciliation of adjusted diluted earnings per share see Note 12 'Earnings per share'. Adjusted diluted earnings per share excludes the gain on disposal of NKT Flexibles in 2012.

Revenue

Revenue of $6.3 billion was comparable with 2012, primarily reflecting increased activity levels in the AFGOM and APME Territories offset by a decrease in activity in the Brazil and NSC Territories.

Adjusted EBITDA

Adjusted EBITDA was $981 million, a decrease of $158 million or 14% compared to 2012. The Adjusted EBITDA margin fell by 2 percentage points to 16% in 2013 with the reduction in margin largely attributable to the additional full-life project loss provision of $355 million recognised on the Guará-Lula NE project. Margins improved across the remaining project portfolio driven by good project performance and a reduction in work executed at lower margins on projects awarded in prior years.

Net operating income

Net operating income decreased by $235 million to $573 million largely due to:

- the $355 million additional full-life project loss provision recognised on the Guará-Lula NE project
- impairments of property, plant and equipment of $37 million mainly in relation to the *Seven Polaris*

partially offset by:

- a decrease in administrative expenses of $77 million to $296 million (2012: $373 million), driven by an absence of integration costs and the release of $21 million of provisions, recognised at the date of the business combination in 2011, due to certain legal cases being settled in the Group's favour
- an increase of $41 million in the Group's share of net income of associates and joint ventures to $127 million (2012: $86 million). The increase was primarily attributable to strong contributions from Seaway Heavy Lifting, due to high levels of activity in renewables in the North Sea, and SapuraAcergy, due to the successful execution of the offshore phase of the Gumusut-Kakap project, offshore Malaysia.

Net income

Net income was $350 million, a decrease of $497 million or 59% compared to 2012, primarily due to:

- the decrease in net operating income
- an increase in finance costs of $26 million mainly as a result of the accretion of the 2017 convertible bonds issued in October 2012 and reduced capitalised interest on assets under construction reflecting the relative stage of completion of the new vessel construction programme
- net losses within other gains and losses of $14 million compared with a net gain of $40 million in 2012. This was as a result of foreign currency exchange losses of $27 million in 2013 (2012: $40 million gain), partially offset by a gain on disposal of property, plant and equipment of $12 million mainly related to the disposal of the *Acergy Harrier*
- the recognition in 2012 of a $244 million gain on disposal of the Group's interest in NKT Flexibles

partially offset by:

- a $61 million decrease in the tax charge compared to 2012, which was primarily the result of certain discrete items recognised in the year, rather than the reduction in the Group's income before tax. Discrete items included changes in tax provision estimates and contingencies. No tax benefit was recognised in respect of the additional full-life project loss provision on the Guará-Lula NE project.

Cash and cash equivalents

Cash and cash equivalents decreased from $1.3 billion to $650 million. The movement in cash and cash equivalents was mainly attributable to:

- expenditure on property, plant and equipment of $739 million
- the $337 million partial redemption for cash of the $500 million 2.25% convertible notes at maturity
- the payment of dividends amounting to $199 million and the repurchase of shares totalling $83 million
- the early repayment of the $158 million Seven Havila loan
- the provision of funding totalling $115 million to the Group's Eidesvik Seven joint venture

partially offset by:

- cash generated from operating activities of $981 million.

Earnings per share

Earnings per share for the year was $1.04 (diluted: $0.99) compared to earnings per share of $2.49 (diluted: $2.23) in 2012. Adjusted diluted earnings per share, which excludes the 2012 gain on disposal of the Group's interest in NKT Flexibles, was $0.99 (2012: $1.59).

Borrowings

Borrowings decreased by $623 million to $912 million during 2013. The reduction during the year was largely due to the maturity of the $500 million 2.25% convertible notes and the $158 million early repayment of the Seven Havila loan.

Allocation of net income

The net income of $350 million was transferred to equity with $348 million (2012: $830 million) attributed to shareholders of the parent company and $2 million attributed to non-controlling interests (2012: $17 million).

Territory highlights

For the year ended 31 December 2013

(in $ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	**2,454**	**498**	**814**	**2,514**	**17**	**6,297**
Net operating income/(loss) from operations	**402**	**86**	**(318)**	**395**	**8**	**573**

For the year ended 31 December 2012

(in $ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	2,182	278	987	2,838	12	6,297
Net operating income/(loss) from operations	428	46	(26)	364	(4)	808

Africa, Gulf of Mexico & Mediterranean (AFGOM)

Revenue was $2.5 billion, an increase of $272 million or 12% compared with 2012, due mainly to the timing of the offshore execution of major projects. Work commenced on the Lianzi project, offshore Angola, the Erha North project, offshore Nigeria, and the Line 60 and Line 67 projects, in the Mexican sector of the Gulf of Mexico. There was significant progress on the Block 31 PSVM, Block 31 GES, and CLOV projects, offshore Angola, and the MPN Trunk and OFON projects, offshore Nigeria. Net operating income at $402 million was $26 million or 6% lower than 2012. The associated margin of 16% decreased compared to 20% in 2012 mainly due to certain projects being executed at low margins.

Asia Pacific & Middle East (APME)

Revenue was $498 million, an increase of $220 million or 79% compared to 2012. The Fletcher Finucane and Gorgon Umbilical projects, offshore Australia, were completed during the year. There was significant progress on the Gorgon Heavy Lift and Tie-ins project, offshore Australia. Net operating income was $86 million (2012: $46 million), largely due to the successful execution and completion of the offshore phase of the Gumusut-Kakap project, offshore Malaysia, by the SapuraAcergy joint venture.

Brazil (BRAZIL)
Revenue was $814 million, a decrease of $173 million or 18%, reflecting the phasing of the Guará-Lula NE project. Net operating loss was $318 million (2012: net operating loss $26 million). Results were impacted by the $355 million additional full-life project loss provision recognised on the Guará-Lula NE project. The Guará-Lula NE project entered the offshore phase in the second quarter of 2013. Delays were experienced as a result of supply chain challenges, delayed commencement of pipeline fabrication, due largely to customs clearance issues, and adverse weather conditions which prolonged the offshore installation phase. Progress was achieved towards the end of 2013 with the commencement of the installation of the second submerged buoy. The offshore phase is expected to be completed during 2014.

Vessels on long-term service agreements with Petrobras operated throughout the year at high levels of utilisation.

North Sea & Canada (NSC)
Revenue was $2.5 billion, a decrease of $324 million or 11% compared to 2012, reflecting lower utilisation due to the cancellation of the Fram project and lower vessel capacity due to the transfer of the *Seven Oceans* to Brazil. In 2013, the Terra Nova project, offshore Canada, the Otter and B11 projects, offshore UK, and the Svalin project, offshore Norway, were completed. Work commenced on the Martin Linge project, offshore Norway, and there was significant progress on the Knarr project, offshore Norway, and the Laggan Tormore project, offshore UK. Life-of-Field services continued under the BP and Shell frame agreements, offshore UK, and the Statoil frame agreement, offshore Norway. Net operating income was $395 million compared to $364 million in 2012 reflecting improved margins in the North Sea as contracts awarded at lower margins in prior years were completed.

Corporate (CORP)
Revenue for the year was $17 million (2012: $12 million), mainly related to the provision of services to joint ventures. Net operating income was $8 million compared with a $4 million operating loss in 2012. The improved results were driven largely by the absence of integration costs, the release of $21 million of provisions recognised at the date of the business combination in 2011, due to certain legal cases being settled in the Group's favour, and an increased contribution from Seaway Heavy Lifting, partially offset by the $29 million partial impairment of the *Seven Polaris*.

Backlog
The Group had a record backlog of $11.8 billion at 31 December 2013, an increase of $2.7 billion or 30% compared to 31 December 2012. The increase was mainly attributable to the renewal of PLSV contracts and awards for the operation of three new-build PLSVs in Brazil. Other significant contracts awarded in 2013 included Aasta Hansteen, offshore Norway, TEN, offshore Ghana, and Erha North, offshore Nigeria.

$9.6 billion of the backlog at 31 December 2013 related to SURF activity, $1.0 billion to Life-of-Field, $0.6 billion to Conventional and Hook-up and $0.6 billion to i-Tech. $5.8 billion of this backlog is expected to be executed in 2014, $2.5 billion in 2015 and $3.5 billion in 2016 and thereafter. Backlog related to associates and joint ventures is excluded from these amounts.

Balance sheet

Goodwill
Goodwill remained largely unchanged at $2.6 billion. The annual impairment test performed by management indicated that the recoverable amount of each of the Group's cash-generating units exceeded its carrying value and as a result no impairment of goodwill was required.

Property, plant and equipment
Additions to property, plant and equipment totalled $763 million (2012: $679 million). Additions included the $84 million purchase of the *Simar Esperança* and $145 million spent on the ongoing construction of the *Seven Waves.* Construction commenced on three new-build PLSVs for Brazil, the *Seven Arctic* and the *Seven Kestrel*, with associated expenditure in 2013 of $167 million, $54 million and $6 million respectively.

Disposals recognised during the year included the disposal of the *Lochnagar* and the sale of equipment for the *Seven Viking* to the Group's joint venture Eidesvik Seven.

Interest in associates and joint ventures
There were no significant changes in the Group's interests in associates and joint ventures during 2013. During 2012, the Group disposed of its share of NKT Flexibles for net cash proceeds of $344 million with a gain on disposal of $244 million.

Assets held for sale
The Group's investments in Sonamet and Sonacergy continued to be classified as assets held for sale. The partial disposal of the Group's interests in Sonamet and Sonacergy is conditional upon the completion of certain conditions precedent, none of which are under the control of the Group. There is no indication that the sale will not proceed as anticipated and the Group expects completion during 2014, at which time the businesses will be deconsolidated from the Group's Consolidated Financial Statements and their future results will be reported in 'Share of net income of associates and joint ventures'. The Group believes that continued disclosure as assets held for sale is appropriate.

Borrowings
In 2013, holders of an aggregate $163 million (par value) of the $500 million 2.25% convertible notes (2013 Notes) exercised their option to convert into common shares of Subsea 7 S.A. A total of 7,763,453 common shares were delivered to noteholders from shares held in treasury. The remaining $337 million (par value) of the 2013 Notes were redeemed for cash at their principal amount in October 2013.

Facilities
In 2013, the Group signed three $100 million multi-currency revolving credit facility agreements, each with a separate bank. These facilities are exclusively available for cash drawings.

Issued share capital and treasury shares

No new common shares were issued during 2013.

During 2013, the Group initiated a share repurchase programme capped at $200 million. At 31 December 2013 a total of 4,650,376 shares had been repurchased. As described in borrowings, 7,763,453 shares were used to satisfy the partial redemption of the 2013 Notes. At the year end, the Group held a total of 16,404,083 treasury shares representing 5% of the total number of issued shares.

Shareholders

The 20 largest shareholders as at 31 December 2013, beneficial ownership[a], were:

	%
Siem Industries Inc.	19.8
Folketrygdfondet	7.6
Alecta pensionsförsäkring, ömsesidigt	4.2
Subsea 7 Investing (Bermuda) Limited[b]	4.0
DNB Asset Management AS	2.9
BlackRock Institutional Trust Company, N.A.	2.2
GE Asset Management Inc.	2.1
SAFE Investment Company Limited	2.0
EARNEST Partners, LLC	1.7
Danske Capital (Norway)	1.6
KLP Forsikring	1.5
Robotti & Company Advisors, LLC	1.3
Aviva Investors Global Services Limited	1.2
Pareto Forvaltning AS	1.1
Standard Life Investments Ltd.	1.1
ODIN Forvaltning AS	1.1
Threadneedle Asset Management Ltd.	1.1
Swedbank Robur AB	1.1
Nordea Investment Management AB (Sweden)	1.0
The Vanguard Group, Inc.	1.0

(a) The data is provided by NASDAQ OMX and is obtained through an analysis of beneficial ownership and fund manager information. This is provided in response to disclosure of ownership notices issued to all custodians on the Subsea 7 VPS share register. Whilst every reasonable effort has been made to verify the data, there may be fluctuations as a result of such things as stock lending or other non-institutional stock movements, and neither Subsea 7 nor NASDAQ OMX can guarantee the accuracy of the analysis.

(b) Subsea 7 Investing (Bermuda) Limited is a subsidiary of the Group and its holding represents treasury shares of the Group.

Cash and cash equivalents

Movements in cash and cash equivalents are summarised as follows:

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Cash and cash equivalents at the beginning of the year	**1,288**	803
Net cash generated from operating activities	**981**	515
Net cash used in investing activities	**(679)**	(353)
Net cash (used in)/generated from financing activities	**(915)**	258
Effect of exchange rate changes on cash and cash equivalents	**(9)**	(13)
Movement in cash balances classified as assets held for sale	**4**	25
Movement in restricted cash balances	**(20)**	53
Cash and cash equivalents at the end of the year	**650**	1,288

Net cash generated from operating activities was $981 million compared to $515 million in 2012. This reflected a decrease in cash used to fund operating assets and liabilities of $330 million in 2013 compared to an increase of $356 million in 2012, partially offset by a decrease in the cash flow from operating activities of $251 million.

Investing activities consumed $679 million in 2013 compared with $354 million in 2012. This was mainly attributable to expenditure on property, plant and equipment of $739 million, broadly comparable with $709 million in 2012. In 2012, this expenditure was partially offset by $344 million of cash generated by the disposal of NKT Flexibles.

Financing activities consumed $915 million in 2013 compared with generating $258 million in 2012.

- During 2013, the Group paid a dividend of $199 million (equivalent to $0.60 per share) and repurchased $91 million of shares (of which $83 million were settled in cash by 31 December 2013) as part of the Group's share repurchase programme. $337 million of the $500 million 2.25% convertible notes which matured in October were redeemed (with the remainder being converted into shares) and the $158 million Seven Havila loan was repaid early. In addition, the Group provided $115 million of funding, on an arm's length basis, to its joint venture, Eidesvik Seven.
- In 2012, cash generated from financing activities of $258 million was mainly due to the net proceeds on the issue of convertible bonds amounting to $699 million which mature in 2017, partially offset by a $199 million dividend payment (equivalent to $0.60 per share) and a $200 million share repurchase programme.

New-build vessel programme capital expenditure

Actual and forecast expenditure on the Group's new vessel programme as at 31 December 2013 was:

	Actual expenditure by year		Forecast expenditure by year			
(in $ millions)	2012	2013	2014	2015	2016	Total
Total	185	372	570	600	190	1,917

This includes the four PLSVs being constructed to operate under long-term contracts with Petrobras in Brazil (including the *Seven Waves*), construction of the *Seven Arctic* and the *Seven Kestrel*. Amounts include an estimate for interest which will be capitalised during construction as part of the initial cost of the vessels.

Liquidity

As at 31 December 2013, the Group had sufficient liquidity to meet its expected funding requirements for the next twelve months. The Group had unutilised committed credit and guarantee facilities of $717 million, of which $400 million was available for cash drawings. The Group monitors its future business opportunities on a continuous basis and actively reviews its credit and guarantee facilities and its long-term funding requirements.

Cash management constraints

The Group operates within a liquidity risk management framework which governs its management of short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by ensuring that it has access to sufficient cash, banking and borrowing facilities. This is achieved by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities where appropriate.

Covenant compliance

The Group's credit facilities contain various financial covenants including, but not limited to, a minimum level of tangible net worth, a maximum level of net debt to earnings before interest, taxes, depreciation and amortisation, a maximum level of total financial debt to tangible net worth, a minimum level of cash and cash equivalents and an interest cover covenant. During the year all covenants were met. The Group expects to be able to comply with all financial covenants during 2014.

Borrowings

The $275 million 3.5% convertible bonds mature in October 2014. The share price on 28 February 2014 exceeded the prevailing conversion price of $15.82. In the event that the bonds are not converted to shares but are redeemed for cash, the Group believes that it has access to sufficient sources of funding to meet this obligation.

Going concern

The Consolidated Financial Statements have been prepared under the assumption of going concern. This assumption is based on the level of cash and cash equivalents at the year end, the credit facilities in place, the forecast cash flows for the Group and the backlog position at 31 December 2013.

Outlook

Conflicting pressures on the use of capital by major oil and gas companies, combined with a flat oil price and cost inflation, resulted in a lower level of tendering and market award activity for large EPIC contracts in the latter part of 2013. Life-of-Field and smaller project work in the North Sea remains relatively stable and is increasing in the Gulf of Mexico, albeit from a low level.

Tendering activity in early 2014 has increased for SURF projects in Africa. While this is encouraging, it must be remembered that there is typically a two-year period between tendering and the start of the offshore phase of such projects. The trend for market awards for large SURF projects to be postponed, for a variety of reasons, is continuing. Order backlog is expected to decline during the first half of 2014.

In light of this environment, the Group's revenue for 2014 is nevertheless expected to increase from that realised in 2013. Adjusted EBITDA for 2014 is anticipated to increase moderately from that achieved in 2013 after adding back the full-life project loss provision recognised on the Guará-Lula NE project in 2013.

The Group remains positive about the medium and long-term prospects for its business, which is supported by a strong fundamental outlook for deepwater subsea field developments. To support this view, the vessel construction programme with six new-build vessels (four of which are committed to long-term contracts in Brazil), is proceeding on schedule and within cost estimates. Owing to the phasing of vessel construction payments, the Group's capital expenditure for 2014 will be higher than in 2013.

CONSOLIDATED FINANCIAL STATEMENTS CONTENTS

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

To the shareholders of Subsea 7 S.A.
412F, route d'Esch
L-2086 Luxembourg

Report on the Consolidated Financial Statements
Following our appointment by the General Meeting of the Shareholders dated 28 June 2013, we have audited the accompanying Consolidated Financial Statements of Subsea 7 S.A., which comprise the Consolidated Balance Sheet as at 31 December 2013, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Board of Directors determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé
Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated financial position of Subsea 7 S.A. as of 31 December 2013, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements
The Consolidated Directors' Report, which is the responsibility of the Board of Directors, is consistent with the Consolidated Financial Statements and includes the information required by the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit
société à responsabilité limitée
Cabinet de révision agréé

Eddy Termaten, Réviseur d'entreprises agréé
Partner

4 March 2014

560, rue de Neudorf,
L – 2220 Luxembourg

CONSOLIDATED INCOME STATEMENT

For the year ended (in $ millions, except per share data)	Notes	**2013 31 Dec**	2012 31 Dec
Revenue	5	**6,297.1**	6,296.6
Operating expenses	7	**(5,554.7)**	(5,201.6)
Gross profit		**742.4**	1,095.0
Administrative expenses	7	**(296.1)**	(373.1)
Share of net income of associates and joint ventures	16	**127.1**	86.3
Net operating income		**573.4**	808.2
Finance income	9	**22.1**	15.8
Gain on disposal of subsidiary	40	**–**	243.6
Gain on distribution	11	**–**	5.6
Other gains and losses	8	**(13.8)**	40.4
Finance costs	9	**(70.9)**	(44.8)
Income before taxes		**510.8**	1,068.8
Taxation	10	**(160.9)**	(221.6)
Net income		**349.9**	847.2
Net income attributable to:			
Shareholders of the parent company		**347.6**	830.4
Non-controlling interests	26	**2.3**	16.8
		349.9	847.2

Earnings per share	Notes	**$ per share**	$ per share
Basic	12	**1.04**	2.49
Diluted	12	**0.99**	2.23
Adjusted diluted[(a)]	12	**0.99**	1.59

(a) For explanation and a reconciliation of adjusted diluted earnings per share please refer to Note 12 ‘Earnings per share’ to the Consolidated Financial Statements included herein. Adjusted diluted earnings per share excludes the gain on disposal of the Group’s interest in NKT Flexibles in 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended (in $ millions)	Notes	**2013 31 Dec**	2012 31 Dec
Net income		**349.9**	847.2
Items that may be reclassified to the income statement in subsequent periods:			
Foreign currency translation		**(32.1)**	99.3
Reclassification adjustments relating to disposal of foreign subsidiaries		**–**	(18.9)
Cash flow hedges:			
Net fair value gains arising	34	**14.2**	19.5
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	34	**(5.8)**	1.0
Adjustments for amounts transferred to the initial carrying amounts of hedged items	34	**3.0**	8.1
Share of other comprehensive income/(loss) of associates and joint ventures	16	**9.5**	(3.5)
Tax relating to components of other comprehensive income which may be reclassified	10	**16.9**	(5.4)
Items that will not be reclassified to the income statement in subsequent periods:			
Remeasurement gains/(losses) on defined benefit pension schemes	37	**5.5**	(7.2)
Tax relating to remeasurement (gains)/losses on defined benefit pension schemes	10	**(1.3)**	1.8
Other comprehensive income		**9.9**	94.7
Total comprehensive income		**359.8**	941.9
Total comprehensive income attributable to:			
Shareholders of the parent company		**357.3**	925.0
Non-controlling interests		**2.5**	16.9
		359.8	941.9

CONSOLIDATED BALANCE SHEET

As at (in $ millions)	Notes	2013 31 Dec	2012 31 Dec
Assets			
Non-current assets			
Goodwill	13	**2,584.6**	2,574.8
Intangible assets	14	**24.6**	24.4
Property, plant and equipment	15	**4,098.0**	3,748.3
Interest in associates and joint ventures	16	**310.7**	223.1
Advances and receivables	17	**136.3**	47.4
Derivative financial instruments	34	**18.1**	20.5
Retirement benefit assets	37	**–**	0.3
Deferred tax assets	10	**48.4**	35.4
		7,220.7	6,674.2
Current assets			
Inventories	19	**43.5**	59.3
Trade and other receivables	20	**1,008.0**	1,090.3
Derivative financial instruments	34	**41.8**	53.5
Assets classified as held for sale	21	**394.8**	317.6
Construction contracts – assets	23	**575.0**	541.3
Other accrued income and prepaid expenses	22	**404.0**	471.0
Restricted cash balances		**20.0**	–
Cash and cash equivalents		**649.5**	1,287.9
		3,136.6	3,820.9
Total assets		**10,357.3**	10,495.1
Equity			
Issued share capital	24	**703.6**	703.6
Treasury shares	25	**(356.9)**	(443.9)
Paid in surplus		**3,841.6**	3,881.8
Equity reserve	28	**248.5**	359.2
Translation reserve		**31.9**	44.0
Other reserves		**(59.5)**	(81.3)
Retained earnings		**2,156.5**	1,861.1
Equity attributable to shareholders of the parent company		**6,565.7**	6,324.5
Non-controlling interests	26	**46.5**	43.8
Total equity		**6,612.2**	6,368.3
Liabilities			
Non-current liabilities			
Non-current portion of borrowings	27	**636.3**	1,040.9
Retirement benefit obligations	37	**19.1**	23.4
Deferred tax liabilities	10	**169.7**	111.6
Provisions	31	**35.5**	38.2
Contingent liability recognised	32	**6.8**	27.8
Derivative financial instruments	34	**12.6**	6.7
Other non-current liabilities	29	**14.6**	9.0
		894.6	1,257.6
Current liabilities			
Trade and other liabilities	30	**1,637.4**	1,452.0
Derivative financial instruments	34	**9.1**	31.6
Current tax liabilities		**111.2**	201.1
Current portion of borrowings	27	**275.4**	494.5
Liabilities directly associated with assets classified as held for sale	21	**194.5**	167.3
Provisions	31	**19.0**	11.8
Construction contracts – liabilities	23	**600.7**	434.1
Deferred revenue	38	**3.2**	76.8
		2,850.5	2,869.2
Total liabilities		**3,745.1**	4,126.8
Total equity and liabilities		**10,357.3**	10,495.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserve	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	**703.6**	**(443.9)**	**3,881.8**	**359.2**	**44.0**	**(81.3)**	**1,861.1**	**6,324.5**	**43.8**	**6,368.3**
Comprehensive income										
Net income	–	–	–	–	–	–	347.6	347.6	2.3	349.9
Exchange differences	–	–	–	–	(32.3)	–	–	(32.3)	0.2	(32.1)
Cash flow hedges	–	–	–	–	–	11.4	–	11.4	–	11.4
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	9.5	–	9.5	–	9.5
Remeasurement gains on defined benefit pension schemes	–	–	–	–	–	5.5	–	5.5	–	5.5
Tax relating to components of other comprehensive income	–	–	–	–	20.2	(4.6)	–	15.6	–	15.6
Total comprehensive income	**–**	**–**	**–**	**–**	**(12.1)**	**21.8**	**347.6**	**357.3**	**2.5**	**359.8**
Transactions with owners										
Shares repurchased	–	(91.2)	–	–	–	–	–	(91.2)	–	(91.2)
Redemption of convertible notes	–	175.1	–	–	–	–	–	175.1	–	175.1
Dividends declared and paid	–	–	–	–	–	–	(199.3)	(199.3)	–	(199.3)
Equity component of convertible notes	–	–	–	(110.7)	–	–	110.7	–	–	–
Addition of non-controlling interest	–	–	–	–	–	–	–	–	0.2	0.2
Share-based compensation	–	–	8.1	–	–	–	–	8.1	–	8.1
Vesting of share-based payments	–	–	(48.1)	–	–	–	48.1	–	–	–
Shares reissued	–	3.1	–	–	–	–	–	3.1	–	3.1
Loss on reissuance of treasury shares	–	–	–	–	–	–	(11.7)	(11.7)	–	(11.7)
Tax effects	–	–	(0.2)	–	–	–	–	(0.2)	–	(0.2)
Total transactions with owners	**–**	**87.0**	**(40.2)**	**(110.7)**	**–**	**–**	**(52.2)**	**(116.1)**	**0.2**	**(115.9)**
Balance at 31 December 2013	**703.6**	**(356.9)**	**3,841.6**	**248.5**	**31.9**	**(59.5)**	**2,156.5**	**6,565.7**	**46.5**	**6,612.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserve	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2012	**703.6**	**(278.5)**	**4,185.5**	**278.6**	**(36.3)**	**(95.6)**	**1,023.7**	**5,781.0**	**51.5**	**5,832.5**
Comprehensive income										
Net income	–	–	–	–	–	–	830.4	830.4	16.8	847.2
Exchange differences	–	–	–	–	99.2	–	–	99.2	0.1	99.3
Cash flow hedges	–	–	–	–	–	28.6	–	28.6	–	28.6
Reclassification adjustments relating to disposal of foreign subsidiaries	–	–	–	–	(18.9)	–	–	(18.9)	–	(18.9)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	(3.5)	–	(3.5)	–	(3.5)
Remeasurement losses on defined benefit pension schemes	–	–	–	–	–	(7.2)	–	(7.2)	–	(7.2)
Tax relating to components of other comprehensive income	–	–	–	–	–	(3.6)	–	(3.6)	–	(3.6)
Total comprehensive income	**–**	**–**	**–**	**–**	**80.3**	**14.3**	**830.4**	**925.0**	**16.9**	**941.9**
Transactions with owners										
Shares repurchased	–	(200.0)	–	–	–	–	–	(200.0)	–	(200.0)
Dividends declared and paid	–	–	(279.7)	–	–	–	–	(279.7)	(19.5)	(299.2)
Equity component of convertible bonds	–	–	–	80.6	–	–	–	80.6	–	80.6
Purchase of non-controlling interest	–	–	–	–	–	–	(6.0)	(6.0)	–	(6.0)
Reclassification of non-controlling interest	–	–	–	–	–	–	5.1	5.1	(5.1)	–
Share-based compensation	–	–	12.5	–	–	–	–	12.5	–	12.5
Vesting of share-based payments	–	–	(35.0)	–	–	–	35.0	–	–	–
Shares reissued	–	34.6	–	–	–	–	–	34.6	–	34.6
Loss on reissuance of treasury shares	–	–	–	–	–	–	(27.1)	(27.1)	–	(27.1)
Tax effects	–	–	(1.5)	–	–	–	–	(1.5)	–	(1.5)
Total transactions with owners	**–**	**(165.4)**	**(303.7)**	**80.6**	**–**	**–**	**7.0**	**(381.5)**	**(24.6)**	**(406.1)**
Balance at 31 December 2012	**703.6**	**(443.9)**	**3,881.8**	**359.2**	**44.0**	**(81.3)**	**1,861.1**	**6,324.5**	**43.8**	**6,368.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Paid in surplus
This reserve represents the amount exceeding the par value on issuance of shares. In addition it includes the IFRS 2 'Share-based payments' charge relating to the Group's equity-settled share-based payments. The IFRS 2 'Share-based payments' charge is reclassified to retained earnings on the vesting of the related performance shares, restricted shares and share options.

Equity reserve
This reserve represents the equity component of the convertible bonds (refer to Note 28 'Convertible bonds').

Translation reserve
This reserve represents the exchange rate differences which arise upon the translation of foreign entities' assets and liabilities into the Group's reporting currency.

Other reserves
Other reserves relate to:

- the net cumulative gains or losses in respect of hedging activity entered into by the Group
- actuarial gains and losses incurred by the Group's defined benefit pension schemes
- the Group's share of other comprehensive gains and losses from its associates and joint ventures.

Legal reserve
Luxembourg law requires that 5% of Subsea 7 S.A.'s unconsolidated net income is allocated to a legal reserve annually, prior to declaration of dividends. This requirement continues until the reserve is 10% of its issued share capital at par value, after which no further allocations are required until further issuance of shares. The legal reserve may also be satisfied by allocation of the required amount at the issuance of shares or by a transfer from paid in surplus. The legal reserve is not distributable. The legal reserve for all issued common shares has been satisfied and appropriate allocations are made to the legal reserve account at the time of each issuance of new shares. The legal reserve is presented within retained earnings.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended (in $ millions)	Notes	2013 31 Dec	2012 31 Dec
Net cash generated from operating activities	39	**980.5**	515.1
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**18.6**	0.9
Purchases of property, plant and equipment		**(739.3)**	(708.7)
Purchases of intangible assets		**(2.4)**	(3.9)
Net cash flows from disposal of subsidiary	40	**–**	344.2
Interest received		**22.1**	14.2
Dividends received from associates and joint ventures		**23.7**	51.0
Purchase of non-controlling interest		**–**	(6.0)
Investment in associates and joint ventures		**(1.4)**	(45.3)
Net cash used in investing activities		**(678.7)**	(353.6)
Cash flows from financing activities			
Interest paid		**(42.8)**	(28.7)
Proceeds from borrowings		**–**	698.9
Repayments of borrowings		**(158.1)**	(12.2)
Cost of share repurchases		**(82.6)**	(200.0)
Dividends paid to equity shareholders of the parent company		**(199.3)**	(199.4)
Cash distributed within dividend-in-kind		**–**	(11.8)
Shareholder loan to joint ventures		**(115.3)**	(1.2)
Loan repayments from joint ventures		**21.6**	5.0
Redemption of convertible notes		**(337.2)**	–
Proceeds from reissuance of treasury shares		**1.8**	7.2
Dividends paid to non-controlling interests		**(2.9)**	–
Net cash (used in)/generated from financing activities		**(914.8)**	257.8
Net (decrease)/increase in cash and cash equivalents		**(613.0)**	419.3
Cash and cash equivalents at beginning of year		**1,287.9**	803.4
Effect of foreign exchange rate movements on cash and cash equivalents		**(9.7)**	(12.8)
(Increase)/decrease in restricted cash balances		**(20.0)**	52.7
Decrease in cash balances classified as assets held for sale	21	**4.3**	25.3
Cash and cash equivalents at end of year		**649.5**	1,287.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Subsea 7 is a seabed-to-surface engineering, construction and services contractor to the offshore energy industry worldwide. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg. The 'Group' consists of Subsea 7 S.A. and its subsidiaries at 31 December 2013.

Subsea 7 provides products and services required for subsea field development, including project management, design and engineering, procurement, fabrication, survey, installation, and commissioning of production facilities on the seabed and the tie-back of these facilities to fixed or floating platforms or to the shore. The Group also offers a full spectrum of products and capabilities to deliver full Life-of-Field services to its clients. Through its i-Tech division, the Group provides remotely operated vehicles and tooling services to support exploration and production activities.

Authorisation of Consolidated Financial Statements

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and as American Depositary Receipts (ADRs) over-the-counter in the US. The Consolidated Financial Statements were authorised for issue by the Board of Directors on 4 March 2014.

Presentation of Consolidated Financial Statements

These Consolidated Financial Statements are presented in US Dollars ($), the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in Note 3 'Significant accounting policies'.

2. Adoption of new accounting standards

(i) Effective new accounting standards

The Group has adopted the following new and amended International Financial Reporting Standards (IFRS) and interpretations as of 1 January 2013:

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

The amendments to IAS 1 changed the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to the income statement at a future point in time (for example, exchange differences on translation of foreign operations and net movement on cash flow hedges) must be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendments affect presentation only and had no impact on the Group's financial position or performance.

Revisions to IAS 19 'Employee Benefits'

The amendments to IAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The transitional provisions set out in the revised standard required retrospective application. Due to the insignificant impact ($0.4 million) of the changes, the Group has not restated the Consolidated Income Statement, Consolidated Statement of Comprehensive Income or Consolidated Balance Sheet. However, as IAS 19 required more extensive disclosures, these have been provided in Note 37 'Retirement benefit obligations' with restated comparatives for the year ended 31 December 2012.

The Group has taken the permitted exception to the retrospective application of the revised standard and consequently has not provided sensitivity disclosures for the defined benefit obligation for the comparative period (year ended 31 December 2012).

Recoverable Amount Disclosure for Non-Financial Assets – Amendments to IAS 36 'Impairment of Assets'

These amendments require disclosure of the recoverable amounts for the assets or cash-generating units where an impairment loss has been recognised or reversed during the year. These amendments are effective retrospectively for periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted these amendments to IAS 36 in the current year since the amended/additional disclosures provide useful information. The amendments have been adopted in Note 13 'Goodwill'.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information in relation to rights of set-off and related arrangements. The amendments affect presentation only and had no impact on the Group's financial position or performance.

IFRS 13 'Fair Value Measurement'

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

Application of IFRS 13 did not materially impact the fair value measurements carried out by the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The fair value hierarchy is provided in Note 34 'Financial instruments'.

Improvements to IFRSs 2009 – 2011

Improvements to IFRSs 2009 – 2011, contains amendments to some standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The amendments which impacted the Group were:

- IAS 1 'Presentation of Financial Statements': The difference between voluntary additional comparative information and the minimum required comparative information was clarified. In addition, the opening balance sheet must be presented in the following circumstances: when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications, and that change has a material effect on the balance sheet.
- IAS 16 'Property, Plant and Equipment': This amendment clarified that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- IAS 32 'Financial Instruments: Presentation': This amendment removed existing income tax requirements from IAS 32 and requires the Group to apply the requirements in IAS 12 'Income Taxes' to any income tax arising from distributions to shareholders of the parent company.

The impact of these amendments was not significant for the Group.

(ii) Accounting standards, amendments and interpretations issued but not yet effective
Relevant new standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) but not yet effective and not applied in these Consolidated Financial Statements are as follows:

	Effective Date	Date applicable to the Group
IFRS 9 'Financial Instruments'*	Postponed	Postponed
IFRS 10 'Consolidated Financial Statements'**	1 January 2013	1 January 2014
IFRS 11 'Joint Arrangements'**	1 January 2013	1 January 2014
IFRS 12 'Disclosures of Interests in Other Entities'**	1 January 2013	1 January 2014
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*	1 July 2014	1 January 2015
IAS 27 'Separate Financial Statements'**	1 January 2013	1 January 2014
IAS 28 'Investments in Associates and Joint Ventures'**	1 January 2013	1 January 2014
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39	1 January 2014	1 January 2014
IFRIC 21 Levies*	1 January 2014	1 January 2014
Annual Improvements to IFRSs 2010 – 2012 cycle*	1 July 2014	1 January 2014
Annual Improvements to IFRSs 2011 – 2013 cycle*	1 July 2014	1 January 2014

* These standards, amendments or interpretations have not been endorsed for use by the European Union at the date of this report and as a result the date applicable to the Group may change.

** These standards were endorsed for use by the European Union from 1 January 2014.

IFRS 9 'Financial Instruments'
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 'Financial Instruments: Recognition and Measurement' and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In November 2013 the IASB postponed the effective date for application until the issue date of the completed standard is known. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases once issued.

IFRS 10 'Consolidated Financial Statements'
IFRS 10 replaces the portion of IAS 27 'Consolidated and Separate Financial Statements' that addresses the accounting for Consolidated Financial Statements and SIC-12 'Consolidation — Special Purpose Entities'. IFRS 10 establishes a single control model that applies to all entities including 'special purpose entities'. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements of the current IAS 27. IFRS 10 is not expected to have a significant impact on the currently held investments of the Group.

IFRS 11 'Joint Arrangements'
IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly-controlled Entities' (JCEs). IFRS 11 removes the option to account for JCEs using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Based on analyses performed, IFRS 11 is not expected to have a significant impact on the currently held joint arrangements of the Group.

IFRS 12 'Disclosure of Interests in Other Entities'
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to Consolidated Financial Statements, as well as all of the disclosures that were previously included in IAS 31 'Interests in Joint Ventures' and IAS 28 'Investment in Associates'. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required but IFRS 12 has no impact on the Group's financial position or performance.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
This amendment applies to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service. For example, employee contributions that are calculated according to a fixed percentage of salary can be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are not expected to have a significant impact on the Group's financial position or performance.

IAS 27 'Separate Financial Statements'
As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

IAS 28 'Investments in Associates and Joint Ventures'
As a consequence of the issuance of IFRS 11 and IFRS 12, IAS 28 was renamed IAS 28 'Investments in Associates and Joint Ventures', and describes the application of the equity method.

2. Adoption of new accounting standards *continued*

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. The amendments clarify that rights of set-off must be legally enforceable in the normal course of business and enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract. The amendments also clarify that rights of set-off must not be contingent on a future event.

The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. These amendments are not expected to significantly impact the Group's financial position or performance.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendment covers novations which meet strict criteria. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting. These amendments are not expected to impact the Group's financial position or performance.

IFRIC 21 Levies

Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached. This interpretation is not expected to have a significant impact on the Group's financial position or performance.

Annual Improvements to IFRSs 2010 – 2012 and 2011 – 2013 cycles

The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. None of these amendments are expected to have a significant impact on the Group's financial position or performance.

3. Significant accounting policies

Basis of accounting

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and as adopted by the European Union (EU). They comply with Article 4 of the EU IAS Regulation.

The Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The Consolidated Financial Statements have been prepared on the going concern basis. This assumption is based on the level of cash and cash equivalents at the year end, the credit facilities in place, the forecast cash flows for the Group and the backlog position at 31 December 2013. The principal accounting policies adopted are consistent with the Consolidated Financial Statements for the year ended 31 December 2012, except where noted in Note 2 'Adoption of new accounting standards'.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is assumed to exist where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries

The results of subsidiaries acquired or disposed of are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to align these with the accounting policies of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

All subsidiaries are 100% owned except those listed in Note 26 'Non-controlling interests'.

Non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence, but not control, and which is neither a subsidiary nor a joint venture. Significant influence is defined as the right to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a commercial business governed by an agreement between two or more participants, giving them joint control over a business.

Investments in associates and joint ventures are accounted for using the equity method. Under this method, the investment is carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture, less any provisions for impairment. The Consolidated Income Statement reflects the Group's share of the results of operations after tax of the associate or joint venture. Losses in excess of the Group's interest (which includes any long-term interests that, in substance, form part of the Group's net investment) are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share in the Consolidated Statement of Comprehensive Income. Net incomes and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest.

Jointly controlled operations

A jointly controlled operation is an operation involving two or more participants where each participant uses its own resources and carries out its own part of the operations separately from the activities of the other participant(s). Each participant owns and controls its own resources that it uses in the joint operation and incurs its own expenses and raises its own financing. Rules are established governing how revenues and any common expenses are shared among the participants. Jointly controlled operations do not involve the establishment of a corporation, partnership, entity, or a financial structure that is separate from the investors themselves.

Jointly controlled operations are accounted for as if the operations were conducted independently. The Group accounts for its share of the assets, liabilities and cash flows arising from the operations in its own accounting records, with no further adjustments or consolidation procedures being necessary.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Service revenues

Revenues received for the provision of services under charter agreements, day-rate contracts, reimbursable/cost-plus contracts and similar contracts are recognised on an accrual basis as services are provided.

Long-term contracts

Long-term contracts are accounted for using the percentage-of-completion method. Revenue and gross profit are recognised each period based upon the advancement of the work-in-progress.

The percentage-of-completion is calculated based on the ratio of costs incurred to date to total estimated costs. Provisions for anticipated losses are made in full in the period in which they become known.

If the stage of completion is insufficient to enable a reliable estimate of gross profit to be established (typically when less than 5% completion has been achieved), revenues are recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

A significant portion of the Group's revenue is billed under fixed-price contracts. However, due to the nature of the services performed, variation orders and claims are commonly billed to clients in the normal course of business. Additional contract revenue arising from variation orders is recognised when it is probable that the client will approve the variation and the amount of revenue arising from the variation can be reliably measured. Revenue resulting from claims is recognised in contract revenue only when negotiations have reached an advanced stage such that it is virtually certain that the client will accept the claim and that the amount can be measured reliably.

During the course of multi-year projects the accounting estimates may change. The effects of such changes are accounted for in the period of change and the cumulative income recognised to date is adjusted to reflect the latest estimates. Such revisions to estimates do not result in restating amounts in previous periods.

Long-term contracts are presented in the Consolidated Balance Sheet as 'Construction contracts – assets' when project revenues plus any full-life project loss provision recognised exceeds progress billings, or as 'Construction contracts – liabilities' when progress billings exceed project revenues plus any full-life project loss provision recognised.

Finance income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued by reference to the principal outstanding and the effective interest rate applicable; which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dry-dock, mobilisation and decommissioning expenditure

Dry-dock expenditure incurred to maintain a vessel's classification is capitalised as a distinct component of the asset and amortised over the period until the next scheduled dry-docking (usually between 2½ years and 5 years). At the date of the next dry-docking, the previous dry-dock asset is derecognised. All other repair and maintenance costs are recognised in the Consolidated Income Statement as incurred.

Mobilisation expenditures, which consist of expenditure incurred prior to the deployment of vessels or equipment, are classified as prepayments and expensed over the project life.

Decommissioning expenditures required to restore a leased vessel to its original or agreed condition are recognised as a provision when the Group recognises it has a present obligation and a reliable estimate can be made of the amount of the obligation.

Leasing

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use an asset. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense in the Consolidated Income Statement on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are aggregated and recognised on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised on the same basis as the related lease.

3. Significant accounting policies *continued*

The Group as lessee *continued*

Improvements to leased assets are expensed in the Consolidated Income Statement unless they significantly increase the value of the leased asset, under which circumstance this expenditure will be capitalised and subsequently recognised as an expense in the Consolidated Income Statement on a straight-line basis over the lease term applicable to the leased asset.

The Group as lessor

Assets held under a finance lease are presented in the Consolidated Balance Sheet as a receivable at an amount equal to the net investment in the lease.

Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency is defined as the currency of the primary economic environment in which the entity operates. While this is usually the local currency, the US Dollar is designated as the functional currency of certain entities where transactions and cash flows are predominantly in US Dollars.

All transactions in non-functional currencies are initially translated into the functional currency of each entity at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in non-functional currencies are translated to the functional currency at the exchange rate prevailing at the balance sheet date. All resulting exchange rate differences are recognised in net income or loss. Non-monetary items which are measured at historic cost in a non-functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items which are measured at fair value in a non-functional currency are translated to the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Foreign exchange revaluations of short-term inter-company balances denominated in non-functional currencies are recognised in the Consolidated Income Statement. Revaluations of long-term inter-company loans are recognised in the translation reserve in equity.

The assets and liabilities of operations which have a non-US Dollar functional currency are translated into the Group's reporting currency, US Dollars, at the exchange rate prevailing at the balance sheet date. The exchange rate differences arising on the translation are recognised in the translation reserve in equity. Income and expenditure items are translated at the weighted average exchange rates for the year. On disposal of an entity with a non-US Dollar functional currency the cumulative translation adjustment previously recognised in equity is reclassified to the Consolidated Income Statement.

At 31 December 2013, the main exchange rates of the major currencies used throughout the Group, compared to the US Dollar, were as follows:

GBP	0.61
EUR	0.73
NOK	6.15
BRL	2.36

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in net income or loss in the period in which they are incurred.

Finance costs

Finance costs or charges, including premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method.

Retirement benefit costs

The Group administers several defined contribution pension plans. Obligations in respect of such plans are charged to the Consolidated Income Statement as they fall due.

In addition, the Group administers a small number of defined benefit pension plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Remeasurements, comprising actuarial gains and losses and the return on plan assets, (excluding net interest), are recognised immediately in the balance sheet with a corresponding adjustment to equity through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'operating expenses' and 'administration expenses' in the Consolidated Income Statement:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income.

The Group is also committed to providing lump-sum bonuses to employees upon retirement in certain countries. These retirement bonuses are unfunded, and are recorded in the Consolidated Balance Sheet at their actuarial valuation.

Taxation

Income tax

The tax expense represents the sum of the current tax and deferred tax.

Current tax is based on the taxable income for the year. Taxable income differs from income before taxes as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The tax rates and tax laws used to compute the amount of current tax payable are those that are enacted or substantively enacted at the balance sheet date. Current tax relating to items recognised directly in equity is recognised in equity and not in net income or loss.

Income tax assets or liabilities are representative of taxes being owed by or owing to local tax authorities and include additional tax provisions which have been recognised in the computation of the Group's tax position. Full details of these positions are set out in Note 10 'Taxation'.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets or liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets or liabilities in a transaction (other than in a business combination) that does not affect either the taxable income or the accounting income before taxes.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are substantively enacted and expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly in other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current income tax assets and liabilities on a net basis.

Other taxes

Other taxes, which include irrecoverable value added tax, sales tax, withholding tax and custom duties, represent the amounts receivable or payable to local tax authorities in the countries where the Group operates and are included within net operating income.

Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the Consolidated Income Statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 'Share-based Payments'
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete, to the extent that the amounts can be reasonably calculated. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained regarding facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information regarding facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

3. Significant accounting policies *continued*

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the Consolidated Income Statement.

Goodwill is not amortised but is reviewed for impairment at least annually.

Intangible assets other than goodwill

Overview

Intangible assets acquired separately are measured at cost at date of initial acquisition. The cost of intangible assets acquired in a business combination is determined as their fair value at the date of their acquisition. Following initial recognition, intangible assets are reflected at cost less amortisation and impairment losses. Internally generated intangible assets are not capitalised, with the exception of development expenditure which meets the criteria for capitalisation.

Intangible assets with finite lives are amortised over their useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed at each financial year end as a minimum. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, and are treated as changes in accounting estimates. The amortisation expense related to intangible assets with finite lives is recognised in the Consolidated Income Statement in the expense category consistent with the function of the intangible asset.

Research and development costs

Research costs are expensed as incurred. The Group recognises development expenditure on an individual project as an internally generated intangible asset when it can demonstrate:

- the technical feasibility of completing the asset such that it will be available for use or sale
- the intention to complete the asset and use or sell it
- the ability to use or sell the asset
- how the asset will generate probable future economic benefits
- the availability of resources to complete the asset
- the ability to measure the expenditure reliably during development.

Following initial recognition of the development expenditure as an internally generated intangible asset, the asset is reported at cost less any accumulated amortisation and impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. The asset is tested for impairment whenever there is an indication that the asset may be impaired.

Software

Software is measured initially at purchase cost and amortised on a straight-line basis over its estimated useful life of three to five years. The charge is included in administrative expenses in the Consolidated Income Statement.

Customer contracts (Backlog)

As part of the acquisition of Subsea 7 Inc. backlog was recorded at fair value and is being amortised over the term of the projects in backlog as at the date of acquisition.

Developed technology

Developed technology was recorded at fair value as part of the acquisition of Subsea 7 Inc. and is being amortised on a straight-line basis over five years.

Other

Other intangible assets are recognised at cost and have an indefinite useful life.

Property, plant and equipment

Property, plant and equipment, including major spare parts acquired and held for future use, are stated at cost less accumulated depreciation and accumulated impairment losses.

Assets under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

• Vessels	10 to 25 years
• Operating equipment	3 to 10 years
• Buildings	20 to 25 years
• Other assets	3 to 7 years
• Land is not depreciated.	

Vessels are depreciated to their estimated residual value. Residual values, useful lives and methods of depreciation are reviewed at least annually and adjusted if appropriate.

The gains or losses arising on disposal or retirement of assets are determined as the difference between any sales proceeds and the carrying amount of the asset. These are recognised in the Consolidated Income Statement in the period that the asset is disposed of or retired.

Assets classified as held for sale

The Group classifies assets and disposal groups as being held for sale when all of the following criteria are met:

- management has committed to a plan to sell the asset or disposal group
- the asset or disposal group is available for immediate sale in its present condition
- an active programme to locate a buyer and other actions required to complete the plan to sell the asset or disposal group have been initiated
- the sale of the asset or disposal group is highly probable
- transfer of the asset or disposal group is expected to qualify for recognition as a completed sale within one year
- the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value
- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assets or disposal groups classified as held for sale are measured at the lower of their carrying value or fair value less costs of disposal. Non-current assets are not depreciated once they meet the criteria to be held for sale.

Tendering costs

Costs incurred in the tendering process are expensed as incurred.

Impairment of non-financial assets

At each balance sheet date the Group assesses whether there is any indication that non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value-in-use. Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset is allocated.

Where the carrying amount of an asset exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable value. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a normalised capital structure for the industry. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in the Consolidated Income Statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in the Consolidated Income Statement. The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Recoverable amounts are determined based on value-in-use calculations using discounted cash flow projections based on financial budgets approved by the Executive Management Team. The discount rate applied to the cash flow reflects a normalised capital structure for the industry. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised in the Consolidated Income Statement.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Associates and joint ventures

At each balance sheet date the Group determines whether there is any objective evidence that the investment in an associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the estimated fair value of the associate or joint venture and its carrying value. The resultant amount is recognised in the Consolidated Income Statement.

3. Significant accounting policies *continued*

Inventories

Inventories comprise materials, consumables and spares and are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for using the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to conclude the sale.

Financial instruments

Overview

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets are classified into the following categories:

- fair value through profit or loss
- loans and receivables
- derivatives designated as hedging instruments in an effective hedge.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group's financial assets include cash and short-term deposits, restricted cash, trade and other receivables, loans and other receivables and derivative financial instruments.

Financial liabilities are classified as either fair value through profit or loss, as derivatives in designated hedging relationships or as 'other' financial liabilities according to the substance of the contractual arrangements entered into.

The Group's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and is recorded as the proceeds received, net of direct issue costs. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Initial recognition

All financial assets are recognised in the Consolidated Balance Sheet and subsequently derecognised on the trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial liabilities are recognised in the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Initial measurement

Financial instruments are initially measured at cost plus transaction costs, with the exception of those classified as fair value through profit or loss and all derivatives which are measured at fair value.

Subsequent measurement – fair values

After initial recognition the fair values of derivatives are measured on bid prices for assets held and offer prices for issued liabilities based on values quoted in active markets.

Impairment

At each balance sheet date the Group assesses whether any indications exist that a financial asset or group of financial assets is impaired.

Impairment losses are recorded if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The impairment is recognised through the Consolidated Income Statement.

In any subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss will be reversed through the Consolidated Income Statement if the asset is accounted for at amortised cost.

Derivatives

The Group enters into both derivative financial instruments and non-derivative financial instruments in order to manage its foreign currency exposures. The principal derivatives used are forward foreign currency contracts and interest rate swaps.

All derivative transactions are undertaken and maintained in order to manage the foreign currency and interest risks associated with the Group's underlying business activities and the financing of those activities.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value. Unrealised gains or losses are reported in the Consolidated Income Statement and are included within derivatives in the Consolidated Balance Sheet. The Group will only reassess the existence of an embedded derivative if the terms of the host financial instrument change significantly.

Changes in the fair value of derivatives that do not qualify for hedge accounting (including embedded derivatives) are recognised in the Consolidated Income Statement within 'other gains and losses'.

Hedge accounting
At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents its assessment as to whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the carrying value of financial instruments that are designated as hedges of future cash flows (cash flow hedges) and are found to be effective are recognised directly in equity. Any portion of the derivative that is excluded from the hedging relationship, together with any ineffectiveness, is recognised immediately in 'other gains and losses' in the Consolidated Income Statement. Where a non-financial asset or a non-financial liability results from a forecast transaction or firm commitment being hedged, the amount deferred in equity is included in the initial measurement of that non-monetary asset or liability. Any cumulative gains or losses relating to cash flow hedges recognised in equity are retained in equity and subsequently recognised in the Consolidated Income Statement in the same period in which the previously hedged item affects net income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting and the net cumulative gains or losses recognised in equity are immediately transferred to the Consolidated Income Statement.

Restricted cash balances
Restricted cash balances comprise funds held in a separate bank account which will be used to settle specific investments, capital expenditure or accrued taxation liabilities, and deposits made by the Group as security for certain third-party obligations. Cash balances that are subject to restrictions that expire after more than one year are classified under non-current assets.

Cash and cash equivalents
Cash and cash equivalents in the Consolidated Balance Sheet comprise cash at bank, cash on hand and short-term highly liquid assets with an original maturity of three months or less and readily convertible to known amounts of cash. Utilised bank overdraft facilities are included within current borrowings.

Trade receivables and other receivables
The Group assesses at each balance sheet date whether any indications exist that a financial asset or group of financial assets is impaired.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Group may not be able to collect all of the amounts due. Impaired trade receivables are derecognised when they are assessed as uncollectible.

Loans receivable and other receivables are carried at amortised cost using the effective interest rate method. Interest income, together with gains and losses when the loans and receivables are derecognised or impaired, is recognised in the Consolidated Income Statement.

Convertible bonds and convertible notes
The components of the convertible bonds and convertible notes issued by the Group that exhibit characteristics of a liability are recognised as a liability in the Consolidated Balance Sheet, net of transaction costs. On issuance of convertible bonds and convertible notes, the fair value of the liability components are determined using a market rate for equivalent non-convertible bonds. This amount is classified as a financial liability measured at amortised cost using the effective rate method until it is extinguished on conversion or redemption.

The fair value of the instrument, which is generally the net proceeds less the fair value of the liability, is allocated to the conversion option which is recognised and included in shareholders' equity, net of transaction costs. The carrying value of the conversion option is not remeasured.

Transaction costs are apportioned between the liability and equity components of the convertible bonds and convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are deducted from equity at cost. No gains or losses are recognised in the Consolidated Income Statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past transaction or event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group is virtually certain that some or all of a provision will be reimbursed, that reimbursement is recognised as a separate asset. The expense relating to any provision is reflected in the Consolidated Income Statement at a current pre-tax amount that reflects the risks specific to the liability. Where the provision is discounted, any increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring charges
The Group accounts for restructuring charges, including statutory legal requirements to pay redundancy costs, when there is a legal or constructive obligation and they can be reliably measured. The Group recognises a provision for redundancy costs when it has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring.

Legal claims
In the ordinary course of business, the Group is subject to various claims, litigation and complaints. A provision for a loss will be recognised if it is probable that a liability has been incurred and the amount of the loss can be reliably estimated.

3. Significant accounting policies *continued*

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the general guidance for provisions or the amount initially recognised. When the obligation is no longer considered possible the contingent liability will be released to the Consolidated Income Statement.

Other contingent liabilities are disclosed but not recognised until they meet the criteria for recognition as a provision.

Share-based payments

Certain employees of the Group receive part of their remuneration in the form of share options, shares and cash-settled share-based bonuses based on the performance of the Group.

Equity-settled transactions with employees are measured at fair value at the date on which they are granted. The fair value is determined using a Black-Scholes or Monte Carlo model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each balance sheet date, until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The cumulative expense also includes the estimated future charge to be borne by the Group in respect of social security contributions, based on the intrinsic unrealised value of the share option using the share price on the balance sheet date. The net income or expense for a period represents the difference in cumulative expense recognised at the beginning and end of that period.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash-settled share-based payments are measured at fair value on the date on which the awards were granted. The cost is recognised and remeasured at the balance sheet date until the liability is settled, with any changes in fair value recognised in the Consolidated Income Statement.

Earnings per share

Earnings per share is computed using the weighted average number of common shares and common share equivalents outstanding during each period excluding treasury shares. The dilutive effect of outstanding options, performance shares and restricted shares is reflected as additional share dilution in the computation of diluted earnings per share. Convertible bonds and convertible notes are included in the diluted earnings per share calculation if the effect is dilutive, regardless of whether the conversion price has been met.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in Note 3 'Significant accounting policies', management is required to make judgements, estimates and assumptions regarding 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 the Group believes 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 prospectively in the period in which the estimate is revised.

Revenue recognition on long-term contracts

The Group accounts for long-term construction, engineering and project management contracts using the percentage-of-completion method, which is standard practice in the industry. Contract revenues and total cost estimates are reviewed by Territory management on a monthly basis. Any adjustments made as a result of these reviews are reflected in contract revenues or contract costs in the reporting period, based on the percentage-of-completion method.

To the extent that these adjustments result in a reduction or elimination of previously reported contract revenues or costs, a charge or credit is recognised in the Consolidated Income Statement; amounts in prior periods are not restated. Such a charge or credit may be significant depending on the size and complexity of the project, the stage of project completion and the size of the adjustment. Additional information that enhances and refines the estimating process is often obtained after the balance sheet date but before the issuance of the Consolidated Financial Statements, which may result in an adjustment of the Consolidated Financial Statements based on events, favourable or unfavourable, occurring after the balance sheet date. If a condition arises after the balance sheet date which is of a non-adjusting nature, the results recognised in the Consolidated Financial Statements will not be adjusted.

The percentage-of-completion method requires the Group to make reliable estimates of costs incurred, full job contract costs and full job contract revenues. The Group's Project Monthly Status Reports (PMSRs) evaluate the likely outcome of projects for the purpose of making reliable cost and revenue estimates. A key element of the PMSRs is the estimate of contingency. Contingency is an estimate of the cost required to cover identified future project risks. The Group uses a systematic approach in estimating contingency based on a risk register which identifies and assesses the likelihood and impact of these risks. The most significant risks and uncertainties in the Group's projects typically relate to the offshore phase of operations. Identified risks that materialise may result in increased costs. Contingency associated with these risks will be released from the full job cost estimates, throughout the remaining life of the project, as these risks are eliminated.

Revenue recognition on variation orders and claims

A major portion of the Group's revenue is billed under fixed-price contracts. Due to the nature of the services performed, variation orders and claims are commonly billed to clients.

A variation order is an instruction by the client for a change in the scope of the work to be performed under the contract which may lead to an increase or a decrease in contract revenue based on changes in the specifications or design of an asset and changes in the duration of the contract. Additional contract revenue is recognised when it is probable that the client will approve the variation and the amount of revenue arising from the variation can be reliably measured.

A claim is an amount that may be collected as reimbursement for costs not included in the contract price. A claim may arise from delays caused by clients, errors in specifications or design, and disputed variations in contract work. The measurement of revenue arising from claims is subject to a high level of uncertainty and is dependent on the outcome of negotiations. Therefore, claims are only recognised in contract revenue when negotiations have reached an advanced stage such that it is virtually certain that the client will accept the claim and the amount can be measured reliably.

Recognition of revenue on variation orders and claims is governed by the Group's revenue recognition approval process. No profit relating to any variation order or claim is recognised until formal approval is received from the client.

Goodwill carrying value

Goodwill is reviewed at least annually to assess whether there is objective evidence to indicate that the carrying value of goodwill is impaired at a cash-generating unit level. The impairment review is performed on a value-in-use basis which requires the estimation of future net operating cash flows. Further details relating to the impairment review can be found in Note 13 'Goodwill'.

Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciation is recorded on a straight-line basis over the useful lives of the assets. Management uses its experience to estimate the remaining useful life and residual value of an asset.

When events or changes in circumstances indicate that the carrying value of property, plant and equipment may not be recoverable, a review for impairment is carried out by management. Where the value-in-use method is used to determine the recoverable amount of an asset, management uses its judgement in determining the CGU to which the assets belong, or whether the asset can be considered a CGU in its own right. The level of aggregation of assets is a significant assumption made by management and includes consideration of which assets generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In many cases management has determined that vessels are not CGUs individually as they do not generate cash inflows independently of other Group assets. Once the CGU has been determined management uses its judgement in determining the value-in-use of the CGU as detailed in Note 13 'Goodwill'. Where an asset is considered a CGU in its own right management uses its judgement to estimate asset utilisation, profitability, remaining life and the discount rate used.

Recognition of provisions and disclosure of contingent liabilities

Management uses its judgement in determining whether the Group should recognise a provision or disclose a contingent liability. These judgements include whether the Group has a present obligation and the probability that an outflow of economic benefit is required to settle the obligation. Management may also use its judgement to determine the amount of the obligation. Management uses external advisers to assist with some of these judgements. Further details relating to provisions and contingent liabilities can be found in Note 31 'Provisions' and Note 32 'Commitments and contingent liabilities'.

Taxation

The Group is subject to taxation in numerous jurisdictions and significant judgement is required in calculating the consolidated tax provision. There are many transactions for which the ultimate tax determination is uncertain and for which the Group makes provisions based on an assessment of internal estimates and appropriate external advice, including decisions regarding whether to recognise deferred tax assets in respect of tax losses. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the difference will impact the tax charge in the period in which the outcome is determined. Full details of all judgements and other issues considered are set out in Note 10 'Taxation'.

Fair value of derivatives and other financial instruments

As described in Note 34 'Financial instruments', management uses its judgement in selecting an appropriate valuation technique for financial instruments not quoted on an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of the assumptions used and of the results of sensitivity analyses regarding these assumptions are provided in Note 34 'Financial instruments'.

5. Revenue

An analysis of the Group's revenue is as follows:

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
SURF	**4,559.4**	4,216.9
Conventional and Hook-up	**735.8**	1,076.2
Life-of-Field	**777.0**	763.5
i-Tech	**224.9**	217.4
Veripos[(a)]	**–**	22.6
Total revenue	**6,297.1**	6,296.6

(a) The Group completed the spin-off of its Veripos division during July 2012 (see Note 11 'Dividends').

6. Segment information

For management and reporting purposes, the Group is organised into four Territories, which are representative of its principal activities. The Corporate segment includes all activities that serve more than one Territory. All assets are allocated between Territories. Reporting segments are defined below:

Africa, Gulf of Mexico & Mediterranean (AFGOM)

This segment includes activities in Africa, the US, Mexico and Central America including fabrication yards in Nigeria, Angola, Gabon and the US. It also includes the SIMAR joint venture.

Asia Pacific & Middle East (APME)

This segment includes activities in Asia Pacific, Australia, India and the Middle East and includes the joint ventures SapuraAcergy and Subsea 7 Malaysia.

Brazil (BRAZIL)

This segment includes activities in Brazil including a pipeline fabrication spoolbase at Ubu.

North Sea & Canada (NSC)

This segment includes activities in Northern Europe and Eastern Canada and includes a pipeline fabrication spoolbase in Vigra, Norway and a pipeline bundle fabrication yard at Wick, Scotland. It also includes the Normand Oceanic and Eidesvik Seven joint ventures.

Corporate (CORP)

This segment includes all activities that serve more than one Territory and includes: management of offshore resources; captive insurance activities; management and corporate services. It also includes the results of joint ventures NKT Flexibles (for the period from 1 January 2012 to 3 February 2012 when it was classified as asset held for sale) and Seaway Heavy Lifting.

The accounting policies of the reportable segments were the same as the Group's accounting policies, which are described in Note 3 'Significant accounting policies'. There is a percentage of central costs applied to each segment based on external revenue. Allocations of costs also occur between segments based on the physical location of personnel.

The Chief Operating Decision Maker (CODM) was the Chief Executive Officer of the Group. The CODM is assisted by the other members of the Executive Management Team. Neither total assets nor total liabilities by segment are regularly provided to the CODM and consequently no such disclosure is included.

Summarised financial information concerning each reportable geographical business segment is as follows:

For the year ended 31 December 2013

(in $ millions)	**AFGOM**	**APME**	**BRAZIL**	**NSC**	**CORP**	**Total**
Revenue[(a,b)]	**2,453.6**	**498.1**	**814.1**	**2,514.0**	**17.3**	**6,297.1**
Operating expenses	**(1,944.4)**	**(455.5)**	**(1,100.5)**	**(2,054.2)**	**(0.1)**	**(5,554.7)**
Share of net income of associates and joint ventures	**0.4**	**67.8**	**(1.0)**	**5.3**	**54.6**	**127.1**
Depreciation, mobilisation and amortisation expenses	**(109.0)**	**(6.9)**	**(73.6)**	**(85.6)**	**(83.9)**	**(359.0)**
Impairment of assets held for sale	**(11.6)**	**–**	**–**	**–**	**–**	**(11.6)**
Impairment of property, plant and equipment	**–**	**–**	**–**	**–**	**(36.7)**	**(36.7)**
Net operating income/(loss) from operations	**402.2**	**86.1**	**(317.5)**	**394.9**	**7.7**	**573.4**
Finance income						**22.1**
Other gains and losses						**(13.8)**
Finance costs						**(70.9)**
Income before taxes						**510.8**

(a) Revenue represents only external revenues for each segment. An analysis of inter-segment revenues has not been included as this information is not provided to the CODM.

(b) Four clients in the year accounted for more than 10% of the Group's revenue. The revenue from these clients and the attributable segments were $1,203.9 million (AFGOM, APME and NSC), $815.5 million (AFGOM and BRAZIL), $736.2 million (AFGOM and NSC) and $613.4 million (AFGOM, APME, BRAZIL and NSC).

For the year ended 31 December 2012

(in $ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue[a,b]	2,182.4	277.5	986.5	2,837.8	12.4	6,296.6
Operating (expenses)/income	(1,636.8)	(237.1)	(985.3)	(2,405.7)	63.3	(5,201.6)
Share of net income of associates and joint ventures	0.3	29.0	5.4	2.5	49.1	86.3
Depreciation, mobilisation and amortisation expenses	(85.3)	(1.7)	(75.2)	(80.7)	(90.5)	(333.4)
Impairment reversal of assets held for sale	3.7	–	–	–	–	3.7
(Impairment)/impairment reversal of property, plant and equipment	(2.0)	–	–	–	1.0	(1.0)
Net operating income/(loss) from operations	428.0	46.0	(25.4)	363.8	(4.2)	808.2
Finance income						15.8
Other gains and losses						289.6
Finance costs						(44.8)
Income before taxes						1,068.8

(a) Revenue represents only external revenues earned by each segment. An analysis of inter-segment revenues has not been included as this information is not provided to the CODM.

(b) Four clients in the year accounted for more than 10% of the Group's revenue. The revenue from these clients and the attributable segments were $980.7 million (AFGOM and Brazil), $970.0 million (AFGOM, APME and NSC), $875.4 million (AFGOM, APME and NSC) and $622.7 million (AFGOM and NSC).

Geographic information

Revenues from external customers

The segmental information above shows revenues split by geographic areas. This split is based on the location of the work performed.

Based on the country of registered office of the Group subsidiary/branch, revenues are split as follows:

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
United Kingdom	**2,169.9**	1,992.6
Norway	**1,033.4**	1,408.8
Nigeria	**625.1**	836.0
France	**488.8**	278.9
Brazil	**440.1**	585.4
Australia	**430.0**	142.6
Angola	**351.2**	268.5
United States of America	**298.8**	343.1
Other countries	**459.8**	440.7
	6,297.1	6,296.6

Non-current assets

Goodwill is allocated to operating segments rather than individual legal entities therefore it is not possible to allocate to individual countries – the allocation of goodwill to Territories is shown in Note 13 'Goodwill'.

Based on the country of registered office of the Group subsidiary/branch, other non-current assets excluding goodwill, retirement benefit assets, financial instruments and deferred tax assets are located in the following countries:

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
United Kingdom	**2,765.7**	1,338.1
Norway	**415.5**	252.9
Gibraltar	**249.1**	183.4
Bermuda	**177.9**	856.1
Cyprus	**176.7**	203.1
Isle of Man	**150.8**	472.5
Other countries	**633.9**	737.1
	4,569.6	4,043.2

7. Net operating income

Net operating income includes:

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Research and development costs	**14.1**	17.4
Employee benefits	**1,876.9**	1,828.4
Depreciation of property, plant and equipment (Note 15)	**339.8**	314.5
Amortisation of intangible assets (Note 14)	**9.4**	13.2
Mobilisation costs	**9.8**	5.7
Impairment of property, plant and equipment (Note 15)	**36.7**	1.0
Impairment/(impairment reversal) of assets held for sale (Note 21)	**11.6**	(3.7)
Auditor's remuneration	**2.4**	3.2

Fees billed to the Group by the principal auditing firm Deloitte Audit Société à responsabilité limitée and other member firms of Deloitte Touche Tohmatsu Limited were:

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Audit fees	**1.6**	1.4
Audit-related fees	**0.1**	0.7
Tax fees	**0.7**	1.0
Other fees	**–**	0.1
	2.4	3.2

Reconciliation of operating expenses and administrative expenses by nature

	31 Dec 2013			31 Dec 2012		
For the year ended (in $ millions)	**Operating expenses**	**Administration expenses**	**Total expenses**	Operating expenses	Administration expenses	Total expenses
Employee benefits	**1,663.9**	**213.0**	**1,876.9**	1,628.0	200.4	1,828.4
Depreciation, amortisation and mobilisation	**339.5**	**19.5**	**359.0**	313.4	20.0	333.4
Net impairment/(impairment reversal)	**48.3**	**–**	**48.3**	(2.7)	–	(2.7)
Other expenses	**3,503.0**	**63.6**	**3,566.6**	3,262.9	152.7	3,415.6
Total	**5,554.7**	**296.1**	**5,850.8**	5,201.6	373.1	5,574.7

8. Other gains and losses

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Gains/(losses) on disposal of property, plant and equipment	**12.1**	(0.2)
Net gain on derivative financial instruments	**1.6**	0.6
Reclassification adjustments relating to the disposal of foreign subsidiaries	**–**	18.9
Net foreign currency exchange (losses)/gains	**(27.5)**	21.1
Total	**(13.8)**	40.4

9. Finance income and costs

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Finance income		
Interest income	**22.1**	15.8
Total finance income	**22.1**	15.8

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Finance costs		
Interest and fees on borrowings	**18.7**	23.2
Interest on convertible bonds and convertible notes (Note 28)	**59.4**	48.5
Total borrowing costs	**78.1**	71.7
Less: amounts included in the cost of qualifying assets	**(12.8)**	(30.7)
	65.3	41.0
Interest on tax liabilities	**5.6**	3.8
Total finance costs	**70.9**	44.8

Borrowing costs included in the cost of qualifying assets during the year was calculated by applying to expenditure on such assets a capitalisation rate of between 3.5% and 4.8% dependent on the funding source (2012: between 4.8% and 7.4%).

10. Taxation

Tax recognised in the Consolidated Income Statement

For the year ended (in $ millions)	2013 31 Dec	2012 31 Dec
Tax charged in the Consolidated Income Statement		
Current tax:		
Corporation tax on profits for the year	**155.2**	253.2
Adjustments in respect of prior years	**(37.8)**	(30.3)
Total current tax	**117.4**	222.9
Deferred tax	**43.5**	(1.3)
Total	**160.9**	221.6

Tax recognised in the Consolidated Statement of Comprehensive Income

For the year ended (in $ millions)	2013 31 Dec	2012 31 Dec
Tax relating to items charged/(credited) to comprehensive income		
Current tax on:		
Exchange differences	**(20.2)**	(0.6)
Income tax recognised directly in comprehensive income	**(20.2)**	(0.6)
Deferred tax on:		
Net gain on revaluation of cash flow hedges	**3.3**	6.0
Actuarial gains/(losses) on defined benefit pension plans	**1.3**	(1.8)
Deferred tax recognised directly in comprehensive income	**4.6**	4.2
Total	**(15.6)**	3.6

Deferred tax recognised in the Consolidated Statement of Changes in Equity

For the year ended (in $ millions)	2013 31 Dec	2012 31 Dec
Share-based payments	**0.2**	1.5
Total	**0.2**	1.5

Reconciliation of the total tax charge

Income taxes have been provided based on the tax laws and rates in the countries where the business operates and earns income. The Group's tax charge is determined by applying the statutory tax rate to the net income earned in each of the jurisdictions in which the Group operates in accordance with the relevant tax laws and taking account of permanent differences between accounting and tax net incomes. The Group's tax charge has been reconciled to a tax rate for the year of 28% (2012: 28%), being the expected blended rate taking into consideration the jurisdictions in which the Group operates.

For the year ended (in $ millions)	2013 31 Dec	2012 31 Dec
Income before taxes	**510.8**	1,068.8
Tax at the blended tax rate of 28% (2012: 28%)	**143.0**	299.3
Effects of:		
Benefit of tonnage tax regimes	**(25.5)**	(18.6)
Different tax rates of subsidiaries operating in other jurisdictions	**(41.8)**	(24.8)
Gain on disposal of investment in subsidiaries	**–**	(69.7)
Movement in unprovided deferred tax[a]	**170.4**	8.6
Net income not subject to tax	**(16.7)**	(11.2)
Tax effect of share of net income of associates and joint ventures	**(35.2)**	(23.9)
Withholding taxes and unrelieved overseas taxes	**6.8**	49.3
Changes in tax rates	**(9.3)**	(3.8)
Non-deductible expenses and other permanent differences	**(9.9)**	39.4
Adjustments related to prior years	**(20.9)**	(23.0)
Tax charge in the Consolidated Income Statement	**160.9**	221.6

(a) The movement in unprovided deferred tax in 2013 mainly related to net operating losses arising on the Guará-Lula NE project in Brazil.

10. Taxation *continued*

Deferred tax

Movements in the net deferred tax balance were:

For the year (in $ millions)	**2013**	2012
At year beginning	**(76.2)**	(92.4)
Deferred tax related to disposal of subsidiaries	**–**	25.6
Credited/(charged) to:		
Consolidated Income Statement	**(43.5)**	1.3
Consolidated Statement of Comprehensive Income	**(4.6)**	(4.2)
Consolidated Statement of Changes in Equity	**(0.2)**	(1.5)
Transfer to current tax	**–**	(3.3)
Exchange differences	**3.2**	(1.7)
At year end	**(121.3)**	(76.2)

The main categories of deferred tax assets and liabilities recognised in the Consolidated Financial Statements (before offset of balances within countries where permitted), were as follows:

As at 31 December 2013

(in $ millions)	**Deferred tax asset**	**Deferred tax liability**	**Net recognised deferred tax asset/(liability)**	**Amount credited/ (charged) in the Consolidated Income Statement**
Property, plant and equipment	**–**	**(114.2)**	**(114.2)**	**(16.2)**
Accrued expenses	**8.5**	**(32.0)**	**(23.5)**	**14.2**
Share-based payments	**4.6**	**–**	**4.6**	**1.3**
Convertible notes	**–**	**–**	**–**	**6.1**
Unremitted earnings	**–**	**(16.3)**	**(16.3)**	**2.8**
Intangibles	**–**	**(1.8)**	**(1.8)**	**2.7**
Tax losses	**39.0**	**–**	**39.0**	**(47.1)**
Other	**–**	**(9.1)**	**(9.1)**	**(7.3)**
Total	**52.1**	**(173.4)**	**(121.3)**	**(43.5)**

As at 31 December 2012

(in $ millions)	Deferred tax asset	Deferred tax liability	Net recognised deferred tax asset/(liability)	Amount credited/ (charged) in the Consolidated Income Statement
Property, plant and equipment	–	(98.0)	(98.0)	12.3
Accrued expenses	9.5	(47.2)	(37.7)	(33.0)
Share-based payments	3.5	–	3.5	(2.8)
Convertible notes	–	(6.1)	(6.1)	5.2
Unremitted earnings	–	(19.1)	(19.1)	1.7
Intangibles	–	(4.5)	(4.5)	2.5
Tax losses	86.1	–	86.1	24.7
Other	–	(0.4)	(0.4)	(9.3)
Total	99.1	(175.3)	(76.2)	1.3

Deferred tax is analysed in the Consolidated Balance Sheet, after offset of balances within countries, as:

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Deferred tax assets	**48.4**	35.4
Deferred tax liabilities	**(169.7)**	(111.6)
Total	**(121.3)**	(76.2)

At the balance sheet date, the Group had tax losses of $635.7 million (2012: $388.0 million) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of $131.4 million (2012: $270.7 million) of such losses. No deferred tax asset has been recognised in respect of the remaining $504.3 million (2012: $117.3 million) as it is not considered probable that there will be suitable future taxable profits available for these to offset. In addition, the Group has other unrecognised deferred tax assets of approximately $2.1 million (2012: $14.8 million) in respect of other temporary differences.

No deferred tax has been recognised in respect of temporary differences relating to the unremitted earnings of the Group's subsidiaries and branches where remittance is not contemplated and where the timing of distribution is within the control of the Group and for those associates and interests in joint ventures where it has been determined that no additional tax will arise. The aggregate amount of unremitted earnings giving rise to such temporary differences for which deferred tax liabilities have not been recognised is $919.4 million (2012: $691.0 million).

Tonnage tax regime

The tax charge reflected a net benefit in the year of $25.5 million (2012: $18.6 million) as a result of activities taxable under the current UK and Norwegian tonnage tax regimes, as compared to the tax that would be payable if those activities were not eligible.

Net operating losses (NOLs) including US Internal Revenue Code (IRC) s.163j

NOLs to carry forward in various countries will expire as follows:

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Within five years	**72.0**	1.4
5 to 10 years	**68.8**	11.4
11 to 20 years	**63.8**	73.2
Without time limit	**431.1**	302.0
Total	**635.7**	388.0

There were $317.5 million NOLs included in the above relating to Brazil on which no deferred tax asset was recognised by the Group at 31 December 2013 (2012: $34.3 million).

Tax contingencies and provisions

Business operations are carried out in several countries, through subsidiaries and branches of subsidiaries, and the Group is subject to the jurisdiction of a significant number of tax authorities. Furthermore, the offshore mobile nature of the Group's operations means that the Group routinely has to manage complex international tax issues.

In the ordinary course of events operations will be subject to audit, enquiry and possible re-assessment by different tax authorities. The Group provides for the amount of taxes that it considers probable of being payable as a result of these audits and for which a reasonable estimate can be made. Each year management completes a detailed review of uncertain tax positions across the Group and makes provisions based on the probability of the liability arising. The principal risks that arise for the Group are in respect of permanent establishment, transfer pricing and other similar international tax issues. In common with other international groups, the conflict between the Group's global operating model and the jurisdictional approach of tax authorities often leads to uncertainty on tax positions.

In 2013, operations in various countries were subject to enquiries, audits and disputes, including, but not limited to, those in Brazil, Angola, Gabon, Canada, Nigeria, the US and Norway. These audits are at various stages of completion. The Group's policy is to fully co-operate with the relevant tax authorities while seeking to defend its tax positions.

In the year, the Group recorded a net tax decrease in respect of its tax provisions of $32.7 million (2012: $14.8 million) following resolution of certain matters with the relevant tax authorities and revised future potential exposures.

It is possible that the ultimate resolution of these matters could result in tax charges that are materially higher or lower than the amount provided.

11. Dividends

Final dividends

A final dividend of $0.60 per common share that related to the year ended 31 December 2012 was approved by the shareholders of Subsea 7 S.A. at the Annual General Meeting on 28 June 2013 and recognised in shareholders' equity in June 2013. The total dividend of $199.3 million was paid in July 2013 to shareholders of record as of 5 July 2013.

In 2012, a dividend of $199.4 million ($0.60 per common share) was paid.

Distribution of Veripos business

In 2012, Subsea 7 S.A. distributed its investment in Veripos Inc. as a dividend-in-kind. The distribution entitled shareholders with a holding of ten common shares in Subsea 7 S.A. to one share in Veripos Inc., with fractional entitlements being rounded downwards without compensation.

In accordance with IFRIC 17 'Distributions of Non-cash Assets to Owners' the dividend was recognised at the estimated fair value of the assets distributed. This was calculated as $80.3 million using a discounted cash flow model which equated to a dividend of $0.24 per share. The carrying value of the assets distributed was $74.7 million, including allocated goodwill of $43.4 million, resulting in a gain on distribution being recognised in 2012 of $5.6 million.

12. Earnings per share

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the parent company by the weighted average number of common shares in issue during the year, excluding shares purchased by the Group and held as treasury shares (Note 25 'Treasury shares').

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company's potential dilutive common shares include those related to convertible bonds and convertible notes, share options, performance shares and restricted shares. The convertible bonds and convertible notes are assumed to have been converted into common shares and the net income is adjusted to eliminate the interest expense (net of capitalised interest) less the tax effect. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Net income attributable to shareholders of the parent company	**347.6**	830.4
Interest on convertible bonds and convertible notes (net of amounts capitalised)	**24.8**	17.8
Earnings used in the calculation of diluted earnings per share	**372.4**	848.2

For the year ended	**2013 31 Dec Number of shares**	2012 31 Dec Number of shares
Weighted average number of common shares used in the calculation of basic earnings per share	**332,942,490**	333,837,742
Convertible bonds and convertible notes	**40,717,826**	44,877,456
Share options, performance shares and restricted shares	**1,036,804**	1,463,286
Weighted average number of common shares used in the calculation of diluted earnings per share	**374,697,120**	380,178,484

For the year ended (in $ per share)	**2013 31 Dec**	2012 31 Dec
Basic earnings per share	**1.04**	2.49
Diluted earnings per share	**0.99**	2.23

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

For the year ended	**2013 31 Dec Number of shares**	2012 31 Dec Number of shares
Convertible notes	**17,972,898**	–
Share options, performance shares and restricted shares	**2,338,737**	2,266,216

Adjusted diluted earnings per share

Adjusted diluted earnings per share represents diluted earnings per share adjusted to exclude the gain recognised on the disposal of the Group's share of NKT Flexibles in 2012.

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

For the year ended (in $ millions, except share and per share data)	**2013 31 Dec**	2012 31 Dec
Net income attributable to shareholders of the parent company	**347.6**	830.4
Less: Gain on disposal of NKT Flexibles	**–**	(243.6)
Interest on convertible bonds and convertible notes (net of amounts capitalised)	**24.8**	17.8
Earnings used in the calculation of adjusted diluted earnings per share	**372.4**	604.6
Weighted average number of common shares used in the calculation of adjusted diluted earnings per share (as above)	**374,697,120**	380,178,484
Adjusted diluted earnings per share	**0.99**	1.59

13. Goodwill

The movement in goodwill during the year was as follows:

For the year (in $ millions)	**2013**	2012
At year beginning	**2,574.8**	2,566.6
Derecognised on distribution of business (Note 11)	**–**	(43.4)
Exchange differences	**9.8**	51.6
At year end	**2,584.6**	2,574.8

The carrying amounts of goodwill allocated to the cash-generating units were as follows:

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
AFGOM	**762.3**	753.5
APME	**390.1**	390.0
Brazil	**298.2**	298.1
i-Tech	**71.4**	71.1
NSC	**1,062.6**	1,062.1
Total	**2,584.6**	2,574.8

The Group performed its annual impairment test as at 31 December 2013.

The recoverable amounts of the cash-generating units (CGUs) have been determined based on a value-in-use calculation using cash flow projections approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections was 10.1% and, for the purposes of these calculations, cash flows beyond the five-year period were extrapolated using a 3% growth rate.

The recoverable amount of each of the Group's CGUs exceeded its carrying value and as a result no impairment of goodwill was required.

The calculations of value-in-use for all CGUs are most sensitive to the following assumptions:

- gross margins
- discount rates
- asset utilisation
- market share during the period
- growth rate used to extrapolate cash flows.

Gross margins – Gross margins are based on forecast margins for confirmed work, tender pricing, management's expectations and past experience for new work.

Discount rates – The discount rate was estimated based on the weighted average cost of capital of the Group, amended to reflect a normalised capital structure for the industry. Country risk premiums were not applied to the discount rates as the cash flows were risk adjusted.

Asset utilisation – The level of utilisation of the Group's vessels and equipment has a significant impact on its ability to earn revenue and generate income. Asset utilisation is based on historical levels, adjusted for any foreseen changes in the market and for additions to the fleet.

Market share – Management assessed, using judgement and historical information, levels of available work which will be won by the CGU, relative to its competitors.

Growth rate estimates – The 3% growth rate used to extrapolate the cash flow projections beyond the five-year period is below market expectation for long-term growth in the subsea industry, but reflects the current market conditions and market uncertainty.

Sensitivity to changes in assumptions

Detailed sensitivity analyses were carried out on each of the above key assumptions. Management concluded that no reasonably possible change in any of the above key assumptions would, *ceteris paribus,* cause an impairment of any CGU.

14. Intangible assets

For the year (in $ millions)	Software	Customer contracts (Backlog)	Developed technology	Other intangibles	Total
Cost					
At 1 January 2012	20.3	32.7	12.6	0.9	66.5
Additions	3.9	–	–	–	3.9
Disposals	(1.9)	–	–	–	(1.9)
Exchange differences	(0.2)	–	0.3	(0.1)	–
At 31 December 2012	22.1	32.7	12.9	0.8	68.5
Additions	9.6	–	–	–	9.6
Exchange differences	0.1	–	(0.2)	–	(0.1)
At 31 December 2013	**31.8**	**32.7**	**12.7**	**0.8**	**78.0**
Amortisation					
At 1 January 2012	8.9	20.2	2.5	–	31.6
Charge for the year	3.7	6.7	2.8	–	13.2
Disposals	(0.6)	–	–	–	(0.6)
Exchange differences	(0.1)	–	–	–	(0.1)
At 31 December 2012	11.9	26.9	5.3	–	44.1
Charge for the year	4.5	2.4	2.5	–	9.4
Exchange differences	–	–	(0.1)	–	(0.1)
At 31 December 2013	**16.4**	**29.3**	**7.7**	**–**	**53.4**
Carrying amount:					
At 31 December 2012	10.2	5.8	7.6	0.8	24.4
At 31 December 2013	**15.4**	**3.4**	**5.0**	**0.8**	**24.6**

Included in the table above is software under construction of $2.0 million (2012: $nil).

15. Property, plant and equipment

For the year (in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2012	3,758.1	181.1	236.0	48.3	4,223.5
Additions	507.8	129.4	20.6	20.9	678.7
Exchange differences	51.8	4.7	1.7	(0.5)	57.7
Reclassified as held for sale	(67.4)	–	(8.2)	(0.8)	(76.4)
Disposals	(79.6)	–	–	(4.4)	(84.0)
At 31 December 2012	4,170.7	315.2	250.1	63.5	4,799.5
Additions	669.9	32.2	34.3	26.3	762.7
Exchange differences	(9.4)	2.5	(15.0)	(0.3)	(22.2)
Disposals	(20.0)	(4.5)	–	(4.3)	(28.8)
At 31 December 2013	**4,811.2**	**345.4**	**269.4**	**85.2**	**5,511.2**
Accumulated depreciation and impairment					
At 1 January 2012	784.9	35.4	16.3	34.7	871.3
Charge for the year	260.5	30.6	11.2	12.2	314.5
Impairment	0.6	–	–	0.4	1.0
Exchange differences	5.6	0.8	0.2	0.2	6.8
Reclassified as held for sale	(62.3)	–	(2.5)	(0.8)	(65.6)
Eliminated on disposals	(74.0)	–	–	(2.8)	(76.8)
At 31 December 2012	915.3	66.8	25.2	43.9	1,051.2
Charge for the year	281.3	34.0	12.3	12.2	339.8
Impairment	36.7	–	–	–	36.7
Exchange differences	1.2	0.8	1.0	(0.3)	2.7
Eliminated on disposals	(12.1)	(1.8)	–	(3.3)	(17.2)
At 31 December 2013	**1,222.4**	**99.8**	**38.5**	**52.5**	**1,413.2**
Carrying amount:					
At 31 December 2012	3,255.4	248.4	224.9	19.6	3,748.3
At 31 December 2013	**3,588.8**	**245.6**	**230.9**	**32.7**	**4,098.0**

The table above includes assets under construction of $742.8 million (2012: $390.9 million) including the *Seven Waves*, the *Seven Kestrel*, the *Seven Arctic* and the three new-build PLSVs.

During the year, impairment charges totalling $36.7 million (2012: $1.0 million) were recognised in respect of property, plant and equipment. The impairment charges were recognised in the Consolidated Income Statement in operating expenses within the Corporate segment. The impairment charges were as follows:

- An impairment charge of $7.6 million was recognised to reduce the *Lochnagar* to its fair value less costs of disposal. The vessel was subsequently sold.
- Management identified that the *Seven Polaris,* a heavy lift vessel, may be under-utilised in future years due to changes in market conditions. An impairment charge of $29.1 million was recognised to reduce the net book value of the vessel to its fair value less costs of disposal of $103.8 million. An average of two valuations from independent external shipbrokers was used to establish the fair value less costs of disposal on an open market basis. This was a level 3 valuation in the fair value hierarchy (see page 99).

16. Interest in associates and joint ventures

Investment in associates and joint ventures

As at (in $ millions)	Year End	Country of Registration	Territory		Ownership %	2013 31 Dec	2012 31 Dec
Dalia[(a)]	31 December	France	AFGOM	Associate	–	**–**	1.1
Deep Seas Insurance[(b)]	31 December	Cayman Islands	CORP	Associate	49	**1.7**	1.2
Global Oceon	31 December	Nigeria	AFGOM	Associate	40	**–**	–
Eidesvik Seven	31 December	Norway	NSC	Joint Venture	50	**15.8**	15.5
ENMAR	30 June	Mozambique	AFGOM	Joint Venture	51	**–**	–
GSNC Shallow[(c)]	31 December	Brazil	BRAZIL	Joint Venture	–	**–**	7.5
Nigerstar 7[(d)]	31 December	Nigeria	AFGOM	Joint Venture	49	**–**	0.1
NKT Flexibles[(e)]	31 December	Denmark	CORP	Joint Venture	–	**–**	–
Normand Oceanic	31 December	Norway	NSC	Joint Venture	50	**35.4**	34.7
SapuraAcergy	31 January	Malaysia	APME	Joint Venture	50	**119.5**	54.8
Seaway Heavy Lifting	31 December	Cyprus/Netherlands	CORP	Joint Venture	50	**129.3**	106.2
SIMAR	31 December	Angola	AFGOM	Joint Venture	49	**0.9**	0.1
Subsea 7 Malaysia	31 December	Malaysia	APME	Joint Venture	30	**6.7**	–
Technip Subsea 7	31 December	Australia	APME	Joint Venture	45	**1.4**	1.9
Total						**310.7**	223.1

(a) Dalia was liquidated in 2013. Previously, the Group owned 17.5% and had a significant influence on the operating and financial policies in Dalia. Subsea 7 had a veto on decision-making as decisions required unanimous agreement.

(b) The remaining 51% ownership of Deep Seas Insurance is held by Siem Industries Inc., a related party as described in Note 35 'Related party transactions'.

(c) The GSNC Shallow joint venture was dissolved in 2013.

(d) The Group's investment in Nigerstar 7 is now consolidated as a non-wholly owned subsidiary as disclosed in Note 26 'Non-controlling interests'.

(e) The Group's interest in NKT Flexibles was disposed of in 2012.

The movement in the balance of equity investments, including long-term advances, was as follows:

For the year (in $ millions)	2013	2012
At year beginning	**223.1**	264.1
Share of net income of associates and joint ventures	**127.1**	86.3
Dividends distributed to the Group	**(42.0)**	(51.0)
Increase in investment	**3.2**	45.3
Distributions received on dissolution of investments	**(4.2)**	–
Disposal of investment	**–**	(125.7)
Net (reversal of reclassification)/reclassification of negative investment balance as liabilities	**(0.7)**	1.2
Share of other comprehensive income/(loss) of associates and joint ventures	**9.5**	(3.5)
Exchange differences	**(5.3)**	6.4
At year end	**310.7**	223.1

Share of net income/(loss) of associates and joint ventures:

For the year ended (in $ millions)	2013 31 Dec	2012 31 Dec
Deep Seas Insurance	**0.5**	(0.6)
Global Oceon	**(0.4)**	0.3
Eidesvik Seven	**1.1**	–
GSNC Shallow	**(1.0)**	5.4
NKT Flexibles	**–**	(1.1)
Normand Oceanic	**4.2**	2.5
SapuraAcergy	**59.7**	31.9
Seaway Heavy Lifting	**54.1**	50.8
SIMAR	**0.8**	–
Subsea 7 Malaysia	**8.2**	(4.1)
Technip Subsea 7	**(0.1)**	1.2
Total	**127.1**	86.3

Dividends distributed to the Group

In the year, the Group received a total of $42.0 million dividends from two joint ventures (Seaway Heavy Lifting and GSNC Shallow) and one associate (Dalia). In 2012, the Group received a total of $51.0 million dividends from four joint ventures (Seaway Heavy Lifting, NKT Flexibles, Technip Subsea 7 and GSNC Shallow).

Increase in investment

During the year, additional investments totalling $3.2 million (2012: $45.3 million) were made in three joint ventures: SapuraAcergy, Eidesvik Seven and Subsea 7 Malaysia (2012: Normand Oceanic, Eidesvik Seven and SIMAR).

Disposal of joint venture
In 2012, the Group disposed of its subsidiary Danco AS which held the Group's 49% interest in NKT Flexibles. NKT Flexible was a joint venture presented within the Corporate segment, see Note 40 'Disposal of subsidiary' for details.

Significant restrictions
SapuraAcergy is regulated by the Central Bank of Malaysia in respect of the repatriation of funds; dividends are restricted to 70% of net income.

Dividend payments from Seaway Heavy Lifting are restricted to 75% of net income of the previous year.

Capital commitments
At 31 December 2013, Seaway Heavy Lifting had capital commitments of $24.3 million (2012: $13.1 million).

Guarantee arrangements
At 31 December 2013, Seaway Heavy Lifting had issued guarantees under its $75.0 million revolving credit facility totalling $30.2 million (2012: $52.4 million).

Reclassification and reversal of negative investment balance
Losses in excess of the investment value are recognised as non-current liabilities when the Group is committed to providing ongoing financial support to the associate or joint venture.

Summarised financial information
Summarised financial information for associates and joint ventures, representing 100% of the respective amounts included in their financial statements including IFRS adjustments, is as follows:

Aggregated financial data for associates and joint ventures

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Revenue	**957.5**	915.6
Operating expenses	**(612.3)**	(716.3)
Gross profit	**345.2**	199.3
Other income	**3.6**	1.1
Other expenses, including taxation	**(101.4)**	(24.1)
Net income	**247.4**	176.3

Aggregated balance sheet data for associates and joint ventures

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Non-current assets	**1,085.2**	968.6
Current assets	**514.4**	680.8
Total assets	**1,599.6**	1,649.4
Non-current liabilities	**(597.8)**	(614.0)
Current liabilities	**(389.5)**	(589.6)
Total liabilities	**(987.3)**	(1,203.6)
Net assets	**612.3**	445.8

Transactions with associates and joint ventures
The Consolidated Balance Sheet included:

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Non-current receivables due from associates and joint ventures (Note 17)	**109.2**	21.7
Non-current payables due to associates and joint ventures	**(1.8)**	–
Trade receivables due from associates and joint ventures (Note 20)	**52.4**	51.4
Trade payables due to associates and joint ventures (Note 30)	**(7.9)**	(4.2)
Net receivables due from associates and joint ventures	**151.9**	68.9

In the year, the Group provided services to associates and joint ventures amounting to $46.2 million (2012: $62.9 million), purchased goods and services from associates and joint ventures amounting to $76.3 million (2012: $12.1 million) and received $1.9 million (2012: $3.0 million) in insurance claims from Deep Seas Insurance. In addition, the Group sold equipment for the *Seven Viking* to Eidesvik Seven amounting to $10.6 million.

At 31 December 2013, the Group had provided long-term loans to joint ventures amounting to $109.2 million (2012: $21.7 million). The balance at 31 December 2013 represents a NOK 672 million loan provided in 2013 to Eidesvik Seven to fund the construction of the *Seven Viking*. The loan was made on arms-length commercial terms. $21.6 million of the loan to SapuraAcergy which was outstanding at 31 December 2012 was repaid during the year. Working capital funding of associates and joint ventures is included within trade receivables from associates and joint ventures above.

Guarantee arrangements with joint ventures are shown within Note 27 'Borrowings'.

17. Advances and receivables

As at (in $ millions)	2013 31 Dec	2012 31 Dec
Non-current amounts due from associates and joint ventures (Note 16)	**109.2**	21.7
Capitalised fees for long-term loan facilities	**0.9**	1.1
Deposits held by third parties	**2.3**	0.8
Finance lease receivables (Note 18)	**–**	0.6
Other receivables	**23.9**	23.2
Total	**136.3**	47.4

18. Finance lease receivables

As at (in $ millions)	2013 31 Dec Gross Investment	2013 31 Dec Present value of minimum lease payments	2012 31 Dec Gross Investment	2012 31 Dec Present value of minimum lease payments
Investment in finance lease contracts:				
Within one year	**12.9**	**11.7**	1.3	1.2
Years two to five inclusive	**–**	**–**	0.7	0.6
Total	**12.9**	**11.7**	2.0	1.8
Less unearned finance revenues	**(1.2)**	**–**	(0.2)	–
Net investment in finance lease contracts	**11.7**	**11.7**	1.8	1.8

From July 2011, the *Kommandor Subsea* was bareboat chartered for 36 months. From January 2013, the *Acergy Harrier* was bareboat chartered for a maximum of three years, with purchase options during the charter.

19. Inventories

As at (in $ millions)	2013 31 Dec	2012 31 Dec
Materials and spares	**16.1**	41.8
Consumables	**27.4**	17.5
Total	**43.5**	59.3

Total cost of inventory charged to the Consolidated Income Statement	**122.3**	274.8
Provision for obsolescence charged to the Consolidated Income Statement	**0.2**	2.6
Utilisation of provision for obsolescence credited to the Consolidated Income Statement	**(4.1)**	–
Reversal of provision for obsolescence credited to the Consolidated Income Statement	**–**	(0.6)

Inventories include a provision for obsolescence as at 31 December 2013 of $4.9 million (2012: $8.8 million). There were no inventories pledged as security for liabilities.

20. Trade and other receivables

As at (in $ millions)	2013 31 Dec	2012 31 Dec
Trade receivables	**681.2**	818.3
Allowance for doubtful debts	**(13.9)**	(3.0)
Net trade receivables	**667.3**	815.3
Current amounts due from associates and joint ventures (Note 16)	**52.4**	51.4
Advances to suppliers	**54.8**	60.0
Other taxes receivable	**170.7**	125.1
Finance lease receivable	**11.7**	1.2
Other receivables	**51.1**	37.3
Total	**1,008.0**	1,090.3

Details of how the Group manages its credit risk and further analysis of the trade receivables balance can be found in Note 34 'Financial instruments'.

Other taxes receivable relate to value added tax, sales tax, withholding tax, corporation tax, social security and other indirect taxes.

Other receivables include insurance claims, amounts due relating to vessel sales and amounts receivable from employees.

21. Assets classified as held for sale

Investments in Sonamet and Sonacergy

On 23 July 2009, the Group entered into a sale agreement to dispose of 19% of its ownership interest in each of Sonamet Industrial S.A. (Sonamet) and Sonacergy – Servicos E Construcoes Petroliferas Lda (Zona Franca Da Madeira) (Sonacergy). Sonamet operates a fabrication yard for clients, including Subsea 7, supporting the offshore oil and gas industry in Angola. Sonacergy provides overseas logistics services and support to Sonamet.

The disposal of a 19% interest in each of Sonamet and Sonacergy will result in a reduction of the 55% ownership interest the Group held in each at 31 December 2013 to 36%, at which point the investments will be equity accounted for as associates. The finalisation of this sale is conditional upon the completion of certain conditions precedent, none of which are under the control of the Group. There is no indication that the sale will not proceed as anticipated at the agreed price and the Group expects completion during 2014. The Group believes that continued disclosure as assets held for sale is appropriate.

During the year, net income of the subsidiaries resulted in an increase in the carrying value of the net assets of Sonamet and Sonacergy. There was no associated increase in the expected disposal proceeds and as a result an impairment charge of $11.6 million was recognised (2012: $3.7 million impairment reversal). The impairment charge was recognised in the Consolidated Income Statement in operating expenses. The cumulative impairment charge at 31 December 2013 was $19.0 million (2012: $7.4 million).

$15 million loan facility

On 26 May 2008, Sonamet entered into a $15 million loan facility with BAI-Banco African de Investimentos S.A. for the construction of Sonamet's headquarters in Lobito, Angola. After an initial 20-month repayment grace period the loan is repayable in equal instalments over 66 months, with a final maturity of 26 July 2015. The loan carries interest at six months LIBOR plus 2% per year, subject to a minimum rate of 7% and a maximum rate of 8%. The facility is not guaranteed by the Group or any of its other subsidiaries. As at 31 December 2013, $4.4 million (2012: $7.3 million) was drawn on this facility. There are no covenants in relation to this facility.

Vessels classified as held for sale

No vessels were classified as held for sale at 31 December 2013. At 31 December 2012, the *Acergy Harrier,* the *Acergy Legend* and the *Acergy Orion* were classified as assets held for sale. From January 2013, the *Acergy Harrier* was bareboat chartered for a maximum of three years, with purchase options during the charter. The *Acergy Legend* and the *Acergy Orion* were sold in 2013. In 2012, an impairment charge of $2.0 million relating to the *Acergy Orion* was recognised in the Consolidated Income Statement in operating expenses.

The major classes of assets and liabilities comprising the 100% interest of the operations and assets classified as held for sale were as follows:

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Property, plant and equipment	**250.3**	217.9
Intangible assets	**2.2**	5.6
Inventories	**22.9**	22.7
Trade and other receivables	**90.6**	44.1
Other accrued income and prepaid expenses	**6.9**	1.1
Cash and cash equivalents	**21.9**	26.2
Total assets classified as held for sale	**394.8**	317.6
Non-current portion of borrowings	**4.4**	7.3
Trade and other payables	**188.8**	149.6
Current tax liabilities	**0.6**	–
Deferred revenue	**0.7**	10.4
Total liabilities associated with assets classified as held for sale	**194.5**	167.3
Net assets classified as held for sale	**200.3**	150.3

The allocation of assets and liabilities held for sale by segment is as follows:

As at (in $ millions)	**2013 31 Dec Assets**	**2013 31 Dec Liabilities**	2012 31 Dec Assets	2012 31 Dec Liabilities
AFGOM	**394.8**	**194.5**	307.4	167.3
BRAZIL	**–**	**–**	4.5	–
NSC	**–**	**–**	5.7	–
Total	**394.8**	**194.5**	317.6	167.3

22. Other accrued income and prepaid expenses

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Unbilled revenue	**286.8**	385.4
Prepaid expenses	**117.2**	85.6
Total	**404.0**	471.0

Unbilled revenue related to work completed on day-rate contracts, which had not been billed to customers.

Prepaid expenses are incurred in the normal course of business and represent expenditure which has been deferred and which will be recognised in the Consolidated Income Statement within the next 12 months.

23. Construction contracts

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Contracts in progress		
Construction contracts – assets	**575.0**	541.3
Construction contracts – liabilities	**(600.7)**	(434.1)
Total	**(25.7)**	107.2
Contract costs incurred plus recognised net profits less recognised losses to date	**8,001.3**	6,227.2
Less: progress billings	**(8,027.0)**	(6,120.0)
Total	**(25.7)**	107.2

Revenue from construction contracts in the year was $4.6 billion (2012: $4.3 billion).

Advances received from clients for construction contracts amounted to $nil (2012: $74.8 million). These advances for construction contracts were included within total advances disclosed in Note 38 'Deferred revenue'.

24. Issued share capital

Authorised shares

As at	**2013 31 Dec Number of shares**	**2013 31 Dec in $ millions**	2012 31 Dec Number of shares	2012 31 Dec in $ millions
Authorised common shares, $2.00 par value	**450,000,000**	**900.0**	450,000,000	900.0

Issued shares

As at	**2013 31 Dec Number of shares**	**2013 31 Dec in $ millions**	2012 31 Dec Number of shares	2012 31 Dec in $ millions
Fully paid and issued common shares	**351,793,731**	**703.6**	351,793,731	703.6
The issued common shares consist of:				
Common shares excluding treasury shares	**335,389,648**	**670.8**	331,639,199	663.3
Treasury shares par value (Note 25)	**16,404,083**	**32.8**	20,154,532	40.3
Total	**351,793,731**	**703.6**	351,793,731	703.6

25. Treasury shares

Share repurchase plan

On 7 October 2013, the Group announced a share repurchase programme of up to $200 million. The programme was approved pursuant to the standing authorisation granted to the Board of Directors at the Annual General Meeting held on 27 May 2011, which allows for the purchase of up to a maximum of 10% of the Group's issued share capital, net of purchases already made.

All repurchases will be made in the open market on the Oslo Børs, pursuant to certain conditions, and are in conformity with Article 49-2 of the Luxembourg Company Law and the EU Commission Regulation 2273/2003 on exemptions for repurchase programmes and stabilisation of financial instruments. The repurchased shares will be held as treasury shares.

During 2013, the Group repurchased 4,650,376 shares for a total consideration of $91.2 million.

Summary

Movements in treasury shares are shown in the table below:

For the year	**2013 Number of shares**	**2013 in $ millions**	2012 Number of shares	2012 in $ millions
At year beginning	**20,154,532**	**443.9**	13,055,402	278.5
Shares reissued to convertible noteholders (Note 28)	**(7,763,453)**	**(175.1)**	–	–
Shares repurchased	**4,650,376**	**91.2**	8,567,073	200.0
Shares reissued relating to share-based payments	**(637,372)**	**(3.1)**	(1,467,943)	(34.6)
Balance at year end	**16,404,083**	**356.9**	20,154,532	443.9

Consisting of:

As at	**2013 31 Dec Number of shares**	2012 31 Dec Number of shares
Common shares held as treasury shares by a subsidiary	**14,193,786**	17,662,188
Common shares held as treasury shares by employee benefit trusts	**2,210,297**	2,492,344
Total	**16,404,083**	20,154,532

At 31 December 2013, the Group held 4.0% (2012: 4.8%) of the total number of issued shares as treasury shares. These shares were owned as treasury shares through Subsea 7 S.A.'s indirect subsidiary Subsea 7 Investing (Bermuda) Limited. A further 1,526,200 (2012: 1,748,500) common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 684,097 (2012: 743,844) shares were held in a separate employee benefit trust to support the Subsea 7 Inc. restricted stock award plan and other specified share option awards.

26. Non-controlling interests

For the year (in $ millions)	**2013**	2012
At year beginning	**43.8**	51.5
Share of net income for the year	**2.3**	16.8
Additions	**0.2**	–
Dividends	**–**	(19.5)
Acquired by the Group	**–**	(5.1)
Exchange differences	**0.2**	0.1
At year end	**46.5**	43.8

The Group's respective interests in subsidiaries which are not wholly owned were as follows:

As at	**2013 31 Dec %**	2012 31 Dec %
Sonamet Industrial SA	**55.0**	55.0
Sonacergy – Servicos E Construcoes Petroliferas Lda	**55.0**	55.0
Setemares Angola, Limitada	**49.0**	49.0
Globestar Engineering Company (Nigeria) Limited	**98.8**	98.8
Subsea 7 Mexico S de RL de CV	**52.0**	52.0
Naviera Subsea 7 S de RL de CV	**49.0**	49.0
Servicos Subsea 7 S de RL de CV	**52.0**	52.0
PT Subsea 7 Indonesia	**95.0**	95.0
Subsea 7 Gabon Sarl	**99.8**	99.8
Nigerstar 7 Limited	**49.0**	49.0
Nigerstar 7 FZE	**49.0**	49.0

27. Borrowings

As at (in $ millions)	2013 31 Dec	2012 31 Dec
$500 million 2.25% convertible notes due 2013	**–**	481.1
$275 million 3.5% convertible bonds due 2014	**275.4**	275.8
$700 million 1.0% convertible bonds due 2017	**636.3**	620.8
Seven Havila loan	**–**	157.7
Total	**911.7**	1,535.4
Consisting of:		
Non-current portion of borrowings	**636.3**	1,040.9
Current portion of borrowings	**275.4**	494.5
Total	**911.7**	1,535.4

Commitment fees expensed during the year in respect of unused lines of credit were $1.7 million (2012: $3.9 million).

Facilities

The multi-currency revolving credit and guarantee facility (the $600 million facility)

The Group has a $600 million facility syndicated with a number of banks available for the issuance of guarantees or a combination of guarantees and cash drawings, subject to a $100 million sub-limit for cash drawings. The facility is guaranteed by Subsea 7 S.A., Class 3 Shipping Limited, Subsea 7 Shipping Limited, Subsea 7 Treasury (UK) Limited, Subsea 7 Limited and Subsea 7 Offshore Resources (UK) Limited. Final maturity is 10 August 2015, however, in accordance with the terms of the agreement, performance guarantees can be issued with up to 78 months duration up to one month prior to the final maturity date of the facility, subject to the Group providing cash cover for any guarantees outstanding following the final maturity date.

Multi-currency revolving credit facilities

During 2013, the Group signed three $100 million multi-currency revolving credit facility agreements, each with a separate bank. These facilities are exclusively available for cash drawings. The guarantors of the $600 million facility are replicated within these three new facilities. Interest on the facilities is payable at LIBOR plus a margin plus any mandatory costs. Final maturity for each facility is August 2015.

Interest on the facilities is payable at LIBOR plus a margin which may range up to 2.8% per year. The fee applicable for performance guarantees may range up to 1.4%.

Seven Havila loan

In October 2008, the Group entered into a loan facility of NOK 920 million ($164.9 million) with Eksportfinans. This loan facility was supported by a guarantee and additional facility provided by DNB (DNB facility) capped at NOK 978 million ($173.5 million). The amount of the guarantee available under this agreement reduced in line with the repayment of the Eksportfinans loan. The final termination date of the DNB facility was no later than 28 February 2021.

A first priority mortgage on the vessel was provided as security on the loan and DNB facility. A charter guarantee was provided by Subsea 7 S.A. Interest on the drawn loan facility was at a fixed rate of 4.65% per year until 2016. In addition, a facility was available at NIBOR plus 2.2% with guarantee commission payable at 1.65% per year. In February 2013, the Group repaid and cancelled these loan and guarantee facilities.

Utilisation of Facilities

As at (in $ millions)	2013 31 Dec Utilised	2013 31 Dec Unutilised	2013 31 Dec Total	2012 31 Dec Utilised	2012 31 Dec Unutilised	2012 31 Dec Total
Cash loans	**–**	**400.0**	**400.0**	157.0	116.5	273.5
Guarantee facilities	**183.0**	**317.0**	**500.0**	249.0	251.0	500.0
Total	**183.0**	**717.0**	**900.0**	406.0	367.5	773.5

Bank overdraft and short-term lines of credit

Overdraft facilities consist of $19.1 million (2012: $8.9 million), of which $nil (2012: $nil) was drawn as at 31 December 2013.

Other facilities

In addition to the above there are a number of uncommitted, unsecured bi-lateral guarantee arrangements in place in order to provide specific geographical coverage. The total utilisation of these facilities was $489.7 million.

Guarantee arrangements with joint ventures

Normand Oceanic AS (NOAS) is a joint venture between Solstad Offshore ASA and the Group. NOAS is the vessel owning entity for the *Normand Oceanic* and has a loan facility which it used to part finance the purchase of the vessel. The initial loan value of $152.3 million has a termination date of 20 July 2017. NOAS also entered into an interest rate swap, maturing on 19 July 2017, for the notional amount of $152.3 million, swapping a floating rate based on LIBOR to a fixed rate of 0.85% per annum. Both Solstad Offshore ASA and Subsea 7 S.A. have provided guarantees to the banking syndicate guaranteeing 50% of the payment obligations and liabilities under the loan and hedging agreements.

SapuraAcergy is the collective term for the Group's investments in its joint ventures SapuraAcergy Assets Pte Limited (SAPL) and SapuraAcergy Sdn. Bhd. (SASB). The joint venture partner for both joint ventures is Nautical Essence Sdn. Bhd. which is wholly owned by SapuraCrest Petroleum Berhad.

At 31 December 2013, SASB had a $111 million multi-currency facility for the financing of the Gumusut-Kakap project. Both the Group and SapuraCrest Petroleum Berhad have issued guarantees for 50% of the financing respectively. The facility consists of $51 million available for the issuance of the principal performance bank guarantees, $30 million available for letters of credit, and two revolving credit facilities totalling $30 million. At 31 December 2013, the amount drawn under the principal bank guarantee was $50.0 million (2012: $1.0 million), $0.4 million was drawn under the letter of credit facility (2012: $0.3 million) and $nil was drawn under the revolving credit facilities (2012: $10.0 million).

In 2007, the respective parent companies issued a charter guarantee in respect of the *Sapura 3000* charter payments from SASB to SAPL. The limit of the guarantee is the sum of the outstanding amounts under the $240 million Facility Agreement of SAPL less $100 million. Any call under the guarantee will not result in a lump-sum payment being made, but the guarantors will have to service the debt by way of charter payments due until the termination date of the loan, which is 2 February 2015.

28. Convertible bonds and convertible notes

$500 million 2.25% convertible notes due 2013 (2013 Notes)

On 11 October 2006, Subsea 7 S.A. issued $500.0 million in aggregate principal amount of 2.25% convertible notes due 2013. The issuance was completed on 11 October 2006 with the receipt of net proceeds after deduction of issuance related costs of $490.8 million. The issuance costs of $9.2 million were split between the liability and equity components.

The 2013 Notes had an annual interest rate of 2.25% payable semi-annually in arrears on 11 April and 11 October of each year up to and including 2013. They were issued at 100% of their principal amount and matured on 11 October 2013 at 100% of their principal amount. The 2013 Notes were admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

The noteholders were granted an option which allowed them to convert the convertible notes into common shares with a final conversion price of $20.97 per share equivalent to 23,843,586 common shares.

In September 2013, holders of an aggregate $162.8 million (par value) of the 2013 Notes filed their conversion notice for their notes to be converted into common shares of Subsea 7 S.A. In October and November 2013, a total of 7,763,453 common shares were delivered to noteholders from existing shares held in treasury. The remaining $337.2 million (par value) of the 2013 Notes were redeemed for cash at their principal amount in October 2013.

$275 million 3.5% convertible bonds due 2014 (2014 Bonds)

As part of the Combination, the Group acquired $275.0 million in aggregate principal amount of 3.5% convertible bonds due 2014.

The 2014 Bonds have an annual interest rate of 3.5% payable semi-annually in arrears on 13 April and 13 October of each year up to and including 2014. They were issued at 100% of their principal amount and unless previously redeemed, converted or cancelled will mature on 13 October 2014 at 100% of their principal amount.

The bondholders were granted an option which allows them to convert the 2014 Bonds into common shares with a conversion price on Combination of $16.88 per share equivalent to 16,291,469 common shares, or at the Combination date approximately 4.8% of the Group's issued share capital (excluding treasury shares held). All $275.0 million of the 2014 Bonds remained outstanding as at 31 December 2013 with a conversion price at that date of $15.82 (2012: $16.25) per share following the payment of the dividends since issuance, equivalent to 17,383,059 (2012: 16,923,077) common shares, or approximately 5.2% (2012: 5.1%) of the Group's issued share capital (excluding treasury shares held) as at 31 December 2013. The 2014 Bonds can be converted at the option of the bondholder up to the close of business ten banking days prior to the final maturity date. The conversion price will continue to be adjusted in line with the 2014 Bonds' terms and conditions.

The following is a summary of certain other terms and conditions that apply to the 2014 Bonds:

- the 2014 Bonds are unsecured but contain a negative pledge provision which restricts encumbrances or security interests on current and future property or assets to ensure that the convertible bonds will rank equally with other debt issuance
- a cross default provision subject to a minimum threshold of $20.0 million and other events of default in connection with non-payment of the 2014 Bonds
- various undertakings in connection with the term of any further issuance of common shares, continuance of the listing of the shares and the 2014 Bonds on recognised stock exchanges
- provisions for the adjustment of the conversion price in certain circumstances.

$700 million 1.00% convertible bonds due 2017 (2017 Bonds)

On 5 October 2012, the Group issued $700.0 million in aggregate principal amount of 1.00% convertible bonds due 2017. The issuance was completed on 5 October 2012 with the receipt of net proceeds after deduction of issuance related costs of $697.9 million. The issuance costs of $2.1 million have been split between the liability and equity components.

The 2017 Bonds have an annual interest rate of 1.00% payable semi-annually in arrears on 5 April and 5 October of each year up to and including 2017. They were issued at 100% of their principal amount and unless previously redeemed, converted or cancelled will mature on 5 October 2017 at 100% of their principal amount.

28. Convertible bonds and convertible notes *continued*

The bondholders were granted an option which allows them to convert the convertible bonds into common shares with an initial conversion price of $30.10 per share equivalent to 23,255,814 common shares, or at the date of issue approximately 7.0% of Subsea 7 S.A.'s issued share capital (excluding treasury shares held). All $700.0 million of the 2017 Bonds remained outstanding as at 31 December 2013 with a conversion price at that date of $29.31 (2012: $30.10) per share following the payment of the dividends since issuance, equivalent to 23,882,634 (2012: 23,255,814) common shares, or approximately 7.1% (2012: 7.0%) of the Group's issued share capital (excluding treasury shares held) as at 31 December 2013. The conversion price will continue to be adjusted in line with the 2017 Bonds' terms and conditions.

There is also an option for the Company to call the 2017 Bonds on or after 26 October 2015 if the price of the common shares exceeds 130% of the conversion price for a specified period or at any time provided that 90% or more of the 2017 Bonds have been redeemed or converted into shares.

The following is a summary of certain other terms and conditions that apply to the 2017 Bonds:

- the 2017 Bonds are unsecured but contain a negative pledge provision which restricts encumbrances or security interests on current and future property or assets to ensure that the convertible bonds will rank equally with other debt issuance
- a cross default provision subject to a minimum threshold of $25.0 million and other events of default in connection with non-payment of the 2017 Bonds
- various undertakings in connection with the term of any further issuance of common shares and continuance of the listing of the shares
- provisions for the adjustment of the conversion price in certain circumstances.

The net proceeds received from the issue of the 2017 Bonds were split between the liability and equity components as follows. The equity component represents the fair value of the embedded option to convert the liability into equity of the Group.

(in $ millions)	2017 Bonds
Principal value of convertible bonds issued	700.0
Proceeds of issue (net of transaction costs)	697.9
Liability component at date of issue	(617.3)
Transfer to equity reserve	80.6

Movements in convertible bonds and convertible notes

The movement in the liability components of the convertible bonds and convertible notes was as follows:

For the year (in $ millions)	**2013**	2012
At year beginning	**1,377.7**	734.5
Bonds issued	**–**	617.3
Interest held in accruals	**2.4**	(1.7)
Notes converted	**(164.6)**	–
Notes redeemed	**(337.2)**	–
Interest charged (Note 9)	**59.4**	48.5
Interest paid	**(26.0)**	(20.9)
At year end	**911.7**	1,377.7

The interest charged in the year was calculated by applying effective rates of: 2013 Notes: 7.4%, 2014 Bonds: 3.3%, 2017 Bonds: 3.5%.

The movement in the equity components of the convertible bonds and convertible notes was as follows:

For the year (in $ millions)	**2013**	2012
At year beginning	**359.2**	278.6
Bonds issued	**–**	80.6
Reclassification of equity component of convertible notes redeemed or converted in year	**(110.7)**	–
At year end	**248.5**	359.2

29. Other non-current liabilities

As at (in $ millions)	2013 31 Dec	2012 31 Dec
Accrued salaries and benefits	**5.1**	1.8
Other	**9.5**	7.2
Total	**14.6**	9.0

30. Trade and other liabilities

As at (in $ millions)	2013 31 Dec	2012 31 Dec
Accruals	**1,071.3**	981.3
Trade payables	**199.0**	161.9
Current amounts due to associates and joint ventures (Note 16)	**7.9**	4.2
Accrued salaries and benefits	**216.4**	173.2
Withholding taxes	**10.7**	12.1
Other taxes payable	**110.3**	101.2
Other current liabilities	**21.8**	18.1
Total	**1,637.4**	1,452.0

31. Provisions

For the year (in $ millions)	Claims	Decommissioning	Restructuring	Other	Total
At 1 January 2012	10.4	17.1	1.3	35.6	64.4
Additional provision in the year	10.7	1.9	–	10.9	23.5
Utilisation of provision	(0.2)	(0.4)	(1.3)	(21.8)	(23.7)
Unused amounts released during the year	(6.7)	(0.2)	–	(7.0)	(13.9)
Exchange differences	(0.5)	(0.1)	–	0.3	(0.3)
At 31 December 2012	13.7	18.3	–	18.0	50.0
Additional provision in the year	11.2	2.0	7.8	3.3	24.3
Utilisation of provision	(1.0)	(1.4)	–	(13.1)	(15.5)
Unused amounts released during the year	(1.5)	–	–	(0.8)	(2.3)
Exchange differences	(0.8)	(0.4)	(0.7)	(0.1)	(2.0)
At 31 December 2013	**21.6**	**18.5**	**7.1**	**7.3**	**54.5**

As at (in $ millions)	2013 31 Dec	2012 31 Dec
Consists of:		
Non-current provisions	**35.5**	38.2
Current provisions	**19.0**	11.8
Total	**54.5**	50.0

The claims provision comprises a number of claims made against the Group these include employee disputes, personal injury cases, tax claims and lease disputes, where the timing of resolution is uncertain.

The decommissioning provision is in relation to the obligation to remove items of property, plant and equipment from leased vessels at the end of their charter period. The costs related to the provision are expected to be incurred in the year the leases cease, which ranges from 2014 to 2023.

The restructuring provision relates to Brazilian operations and will be utilised in 2014 and 2015.

Other provisions mainly relate to onerous leases.

32. Commitments and contingent liabilities

Commitments

The Group's commitments at 31 December 2013 consist of:

- commitments to purchase property, plant and equipment from external suppliers as at 31 December 2013 for $1,054.6 million (2012: $299.5 million), mainly related to the construction of the *Seven Arctic*, the *Seven Kestrel* and the three new-build PLSVs
- operating lease commitments as indicated in Note 33 'Operating lease arrangements'
- a $10 million loan facility to Seaway Heavy Lifting, the Group's joint venture.

Contingent liabilities

Between 2009 and 2013, the Group's Brazilian businesses were audited and formally assessed for a state tax (ICMS) and federal taxes by the Brazilian State and Federal tax authorities. The amount assessed including penalties and interest as at 31 December 2013 amounted to BRL 660.1 million ($280.3 million). At 31 December 2012, the amount assessed including penalties and interest amounted to BRL 545.8 million ($261.9 million). The Group has challenged these assessments. During the year ended 31 December 2013, 17 ICMS cases with a total value of BRL 80.0 million ($33.9 million) were heard at the administrative level of the Brazilian legal framework. The judgements were unfavourable to the Group. The respective cases will now be defended by the Group at the higher judicial level of the Brazilian legal system. As a result of the Combination, in line with IFRS 3 'Business Combinations', a contingent liability of $9.3 million was recognised as at 7 January 2011 in respect of claims made against Subsea 7 Brasil Serviços Ltda, equivalent to $6.7 million as at 31 December 2013 (2012: $7.6 million). No further provision has been made as the Group does not believe that the likelihood of payment is probable.

A summary of the contingent liabilities for ICMS and federal taxes is as follows:

	2013	2012	**2013**	2012
For the year (in $ millions)	**Contingent liability**		**Contingent liability recognised**	
At year beginning	**261.9**	257.6	**7.6**	8.5
New assessments (including effect of interest rate changes)	**48.8**	32.5	**–**	–
Exchange differences	**(30.4)**	(28.2)	**(0.9)**	(0.9)
At year end	**280.3**	261.9	**6.7**	7.6

In 2007 and 2008, Subsea 7 Brasil Serviços Ltda received two notifications from the Federal Audit Court of Brazil alleging overbilling related to services rendered in the construction and installation of submarine pipelines. These notifications amounted to BRL 109.3 million ($52.6 million). In line with IFRS 3, a contingent liability of $20.3 million was recognised as at 7 January 2011, equivalent to $16.4 million as at 31 December 2012 in respect of these notifications. During 2013, the Court accepted the defence presented by the Group and the corresponding contingent liability was derecognised in the Consolidated Income Statement within administrative expenses.

In 2010, the Subsea 7 Inc. group received a number of claims from Rio de Janeiro State Treasury in relation to alleged errors in magnetic tax filing files. The claims and fines amounted to BRL 17.0 million ($8.2 million). In line with IFRS 3, a contingent liability of $2.8 million was recognised in relation to these claims as at 7 January 2011, equivalent to $2.3 million as at 31 December 2012. During 2013, the claims were dropped and the corresponding contingent liability was derecognised in the Consolidated Income Statement within administrative expenses.

A further $3.3 million of contingent liabilities were recognised as at 7 January 2011 which was updated to $0.1 million as at 31 December 2013 (2012: $1.6 million) in relation to several other smaller claims, the majority of which have been dropped.

Contingent liabilities recognised in the Consolidated Balance Sheet were as follows:

For the year (in $ millions)	**2013**	2012
At year beginning	**27.8**	31.3
Contingent liability derecognised	**(20.3)**	–
Exchange differences	**(0.7)**	(3.5)
At year end	**6.8**	27.8

In the course of business, the Group may become involved in contract disputes due to the nature of its activities as a contracting business involved in a number of long-term projects at any given time. The Group recognises provisions to cover the expected risk of loss to the extent that negative outcomes are probable and reliable estimates can be made. However, the final outcomes of these contract disputes are subject to uncertainties as to whether or not they develop into a formal legal action and therefore the resulting liabilities may exceed the liability it anticipates.

Furthermore, the Group is involved in legal proceedings from time to time incidental to the ordinary conduct of its business. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is reasonably possible that the final resolution of any litigation could require the Group to make additional expenditures in excess of provisions that it may establish. In the ordinary course of business, various claims, litigation and complaints have been filed against the Group in addition to those specifically referred to above. Although the final resolution of any such other matters could have a material effect on its operating results for a particular reporting period, the Group believes that it is not probable that these matters would materially affect its consolidated financial position.

33. Operating lease arrangements
The Group as lessee

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Payments made under operating leases	**338.4**	338.6

The total operating lease commitments as at 31 December 2013 were $866.4 million (2012: $1,030.7 million). These consisted of vessel charter hire obligations of $562.8 million (2012: $739.4 million). The remaining obligations as at 31 December 2013 related to office facilities and other equipment of $303.6 million (2012: $291.3 million).

The Group's outstanding lease commitments fall due as follows:

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Within one year	**272.6**	310.4
Years two to five inclusive	**449.7**	559.8
After five years	**144.1**	160.5
Total	**866.4**	1,030.7

The following renewal options have been excluded from the outstanding commitments:

- *Acergy Viking* – ten options consisting of one option for 18 months, one option for two years and eight options for one year each
- *Skandi Acergy* – four options consisting of two options for two years each and two options for one year each
- *Skandi Neptune* – two options for one year each
- *Subsea Viking* – one option for two years
- *Normand Seven* – five options for one year each
- *Normand Subsea* – three options for one year each
- *Normand Oceanic* – one three-year option and two one-year options
- *Seven Viking* – one option for three years
- *Skandi Seven* – one option for two years
- *Skandi Skansen* – two options for one year each
- *Havila Subsea* – two options for one year each.

34. Financial instruments
Derivative financial instruments recognised in the Consolidated Balance Sheet were as follows:

As at (in $ millions)	**31 Dec 2013 Assets**	**31 Dec 2013 Liabilities**	**31 Dec 2013 Total**	31 Dec 2012 Assets	31 Dec 2012 Liabilities	31 Dec 2012 Total
Non-current						
Forward foreign exchange contracts	**18.1**	**(9.0)**	**9.1**	20.5	(1.6)	18.9
Interest rate swap	**–**	**(3.6)**	**(3.6)**	–	(5.1)	(5.1)
Total	**18.1**	**(12.6)**	**5.5**	20.5	(6.7)	13.8
Current						
Forward foreign exchange contracts	**41.8**	**(9.1)**	**32.7**	53.5	(31.2)	22.3
Dual currency deposits	**–**	**–**	**–**	–	(0.4)	(0.4)
Total	**41.8**	**(9.1)**	**32.7**	53.5	(31.6)	21.9

Significant accounting policies
Details of the significant accounting policies adopted including the basis of measurement and recognition of income and expense in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 'Significant accounting policies'.

34. Financial instruments *continued*

The Group's financial instruments are classified as follows:

As at (in $ millions)	**2013 31 Dec Carrying amount**	2012 31 Dec Carrying amount
Financial assets		
Cash and cash equivalents	**649.5**	1,287.9
Restricted cash deposits	**20.0**	–
Financial assets at fair value through profit or loss – derivative instruments	**33.5**	53.9
Derivative instruments in designated hedge accounting relationships	**26.4**	20.1
Loans and receivables:		
Net trade receivables (Note 20)	**667.3**	815.3
Non-current amounts due from associates and joint ventures (Note 16)	**109.2**	21.7
Current amounts due from associates and joint ventures (Note 16)	**52.4**	51.4
Finance lease receivables (Note 18)	**11.7**	1.8
Other receivables	**49.0**	23.2
Financial liabilities		
Financial liabilities at fair value through profit or loss – derivative instruments	**(17.2)**	(30.2)
Derivative instruments in designated hedge accounting relationships	**(4.5)**	(8.1)
Other financial liabilities:		
Trade payables (Note 30)	**(199.0)**	(161.9)
Non-current amounts due to associates and joint ventures (Note 16)	**(1.8)**	–
Current amounts due to associates and joint ventures (Note 30)	**(7.9)**	(4.2)
Seven Havila loan (Note 27)	**–**	(157.7)
Borrowings – Convertible bonds and convertible notes (Note 28)	**(911.7)**	(1,377.7)
Other payables	**(10.1)**	–

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

As at (in $ millions)	**2013 31 Dec Carrying amount**	**2013 31 Dec Fair value**	2012 31 Dec Carrying amount	2012 31 Dec Fair value
Financial liabilities				
Borrowings – Convertible bonds and convertible notes (Note 28) – Level 2	**(911.7)**	**(923.7)**	(1,377.7)	(1,398.8)

Financial risk management objectives

The Group monitors and manages the financial risks relating to its operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (consisting of currency risk and fair value interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using a variety of financial instruments to hedge these risk exposures. The use of financial instruments is governed by the Group's policies as reviewed by the Board of Directors and includes policies on foreign exchange risk, interest rate risk, credit risk and the investment of excess liquidity.

The Group reviews compliance with policies and exposure limits on a regular basis and it does not enter into or trade financial instruments for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risks, including forward foreign exchange contracts to hedge the exchange rate risk arising on future revenues, operating costs and capital expenditure.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk in the year.

Foreign currency risk management

The Group conducts operations in many countries and, as a result, is exposed to currency fluctuations through the generation of revenue and expenditure in the normal course of business. The Group has in place risk management policies that seek to limit the adverse effects of fluctuations in exchange rates on its financial performance.

The Group's reporting currency is the US Dollar. The majority of revenue and operating expenses are denominated in the functional currency of the individual subsidiaries operating in different Territories, namely:

- AFGOM – US Dollar, Euro, Angolan Kwanza and Nigerian Naira
- APME – US Dollar, Australian Dollar and Singapore Dollar
- Brazil – US Dollar and Brazilian Real
- NSC – US Dollar, British Pound Sterling, Norwegian Krone and Canadian Dollar.

Foreign currency sensitivity analysis

The Group considers that its principal currency exposure is to movements in the US Dollar against other currencies. The US Dollar is the Group's reporting currency, the functional currency of many of its subsidiaries and the currency of a significant volume of the Group's cash flows.

The Group performed a sensitivity analysis to indicate the extent to which net income and equity would be affected by changes in the exchange rate between the US Dollar and other currencies in which the Group transacts. The analysis is based on a strengthening of the US Dollar by 10% against each of the other currencies in which the Group has significant assets and liabilities at the end of each respective period. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a three to five-year timeframe. The Group's analysis of the impact on net income in each year is based on monetary assets and liabilities in the Consolidated Balance Sheet at the end of each respective year.

The Group's analysis of the impact on equity includes the impacts on the translation reserve in respect of inter-company balances that form part of the net investment in a foreign operation and the hedging reserve in respect of designated hedges in addition to net income movements. The amounts disclosed have not been adjusted for the impact of taxation.

A 10% increase in the US Dollar exchange rate against other currencies in which the Group transacts would increase net foreign currency exchange gains reported in other gains and losses by $54.5 million (2012: $16.8 million). The impact on equity would be a reduction in reported net assets of $65.9 million (2012: $60.3 million).

Forward foreign exchange contracts

The Group primarily enters into forward foreign exchange contracts with maturities of up to five years, to manage the risk associated with transactions with a foreign exchange exposure risk. These transactions consist of highly probable cash flow exposures relating to revenue, operating expenditure and capital expenditure.

The Group does not use derivative instruments to hedge the exposure to exchange rate fluctuations from its net investments in foreign subsidiaries.

The following table details the forward foreign exchange contracts outstanding as at the balance sheet date:

As at 31 December 2013

	Contracted amount by contract maturity (in $ millions)				Fair value by contract maturity (in $ millions)	
	Buy		Sell		Maturity	
	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	**51.8**	**69.3**	**48.3**	**–**	**11.0**	**11.2**
Canadian Dollar	**17.9**	**–**	**–**	**–**	**0.1**	**–**
Danish Krone	**39.1**	**35.7**	**16.7**	**–**	**4.5**	**1.2**
Euro	**91.4**	**46.2**	**36.6**	**–**	**5.2**	**1.4**
Norwegian Krone	**34.4**	**0.1**	**34.2**	**–**	**(6.9)**	**(8.5)**
Singapore Dollar	**–**	**–**	**4.3**	**–**	**0.1**	**–**
US Dollar	**115.6**	**–**	**387.1**	**50.6**	**18.8**	**3.7**
Total	**350.2**	**151.3**	**527.2**	**50.6**	**32.8**	**9.0**

As at 31 December 2012

	Contracted amount by contract maturity (in $ millions)				Fair value by contract maturity (in $ millions)	
	Buy		Sell		Maturity	
	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	271.2	75.0	210.2	–	20.7	5.3
Canadian Dollar	–	–	2.5	–	–	–
Danish Krone	66.1	5.5	12.1	–	1.2	–
Euro	396.3	47.3	35.6	–	(11.3)	(0.6)
Norwegian Krone	70.3	139.9	157.1	–	8.0	2.0
Singapore Dollar	4.2	–	8.1	–	–	–
US Dollar	69.5	2.6	388.3	313.5	3.7	12.2
Total	877.6	270.3	813.9	313.5	22.3	18.9

34. Financial instruments *continued*

Hedge accounting

Included in the tables on page 93 are the following outstanding forward foreign exchange contracts which are designated as hedging instruments as at the reporting date:

As at 31 December 2013

	Contracted amount by contract maturity (in $ millions)				Fair value by contract maturity (in $ millions)	
	Buy		Sell		Maturity	
	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	**6.1**	**–**	**–**	**–**	**–**	**–**
Danish Krone	**27.3**	**35.7**	**–**	**–**	**0.7**	**1.4**
Euro	**37.3**	**–**	**–**	**–**	**0.7**	**–**
Norwegian Krone	**31.0**	**0.1**	**–**	**–**	**(3.4)**	**–**
US Dollar	**26.7**	**–**	**389.2**	**50.6**	**18.8**	**3.7**
Total	**128.4**	**35.8**	**389.2**	**50.6**	**16.8**	**5.1**

As at 31 December 2012

	Contracted amount by contract maturity (in $ millions)				Fair value by contract maturity (in $ millions)	
	Buy		Sell		Maturity	
	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	26.4	6.8	–	–	(0.1)	(0.2)
Danish Krone	13.0	4.8	–	–	–	–
Euro	92.7	29.3	–	–	(3.6)	(1.2)
Norwegian Krone	47.5	30.5	–	–	1.5	(0.1)
US Dollar	30.2	2.6	385.3	313.5	3.6	12.1
Total	209.8	74.0	385.3	313.5	1.4	10.6

Revenue hedging

The Group uses forward foreign exchange contracts to manage a proportion of its revenue transaction exposures. The hedging reserve at 31 December 2013 included a gain of $1.8 million (2012: loss of $5.7 million) arising from revenue hedges maturing on or before 31 July 2015.

Operating expenses hedging

The Group uses forward foreign exchange contracts to manage a proportion of its operating expense transaction exposures. At 31 December 2013, the hedging reserve balance included a gain of $7.9 million (2012: $10.4 million) arising on operating expense hedges maturing on or before 3 August 2016.

Capital expenditure hedging

The Group uses forward foreign exchange contracts to manage certain capital expenditures which are forecast to be incurred in currencies other than US Dollars. The hedging reserve balance at 31 December 2013 related to capital expenditure hedges was a loss of $0.1 million (2012: loss of $4.6 million) arising on hedges maturing on or before 30 April 2014. The impact on the Consolidated Income Statement is expected to be recognised on a straight-line basis over 25 years from 2014.

The effectiveness of foreign exchange hedges

The Group documents its assessment of whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. The Group assesses the effectiveness of foreign exchange hedges based on changes in fair value attributable to changes in spot prices. Changes in fair value due to changes in the difference between the spot price and the forward price are excluded from the assessment of ineffectiveness and are recognised directly in the Consolidated Income Statement.

The cumulative effective portion of changes in the fair value of derivatives is deferred in equity within 'other reserves' as hedging reserves. The resulting cumulative gains or losses will be reclassified to the Consolidated Income Statement upon the recognition of the underlying transaction or the discontinuance of a hedging relationship. Movements in respect of effective hedges are detailed in the Consolidated Statement of Changes in Equity.

The gains or losses relating to the ineffective portion of cash flow hedges are recognised in the Consolidated Income Statement and the net amount recognised for the year was $0.2 million (2012: $nil).

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges as follows:

For the year (in $ million)	2013	2012
As at year beginning	**0.1**	(22.5)
Gains/(losses) on the effective portion of derivatives deferred to equity:		
capital expenditure hedging	**1.5**	17.7
revenue hedging	**15.5**	3.3
operating expenses hedging	**(2.8)**	(1.5)
income tax losses recognised in equity	**(3.3)**	(6.0)
Cumulative deferred (gains)/losses transferred to Consolidated Income Statement (see below):		
revenue hedging	**(6.1)**	2.4
operating expenses hedging	**0.3**	(1.4)
Cumulative deferred gains transferred to initial carrying amount:		
capital expenditure hedging	**3.0**	8.1
Balance at year end	**8.2**	0.1

Cumulative gains/(losses) transferred from the hedging reserve to the Consolidated Income Statement

For the year ended (in $ millions)	2013 31 Dec	2012 31 Dec
Cumulative deferred gains/(losses) recognised in revenue	**4.4**	(4.4)
Cumulative deferred (losses)/gains recognised in operating expenses	**(0.3)**	1.1
Cumulative deferred gains recognised in other gains and losses	**1.7**	2.3
Total	**5.8**	(1.0)

No amounts in the current or prior year were transferred to the Consolidated Income Statement in respect of forecast transactions no longer expected to occur.

Interest rate risk management

The Group places surplus funds in the money markets to generate an investment return for a range of maturities (generally less than six months) ensuring a high level of liquidity and reducing the credit risk associated with the deposits. Changes in the interest rates associated with these deposits will impact the return generated.

The Group uses interest rate swaps to manage its exposure to interest rate risk. At 31 December 2013, the Group had entered into one contract on 17 September 2009, effective 28 September 2009, which matures on 28 September 2016 for a notional amount of $50 million. The Group has swapped a floating rate based on LIBOR to a fixed rate of 3.3%. During the year, a mark-to-market gain of $1.5 million (2012: $0.2 million mark-to-market loss) was recognised in the Consolidated Income Statement.

Interest rate sensitivity analysis

Interest on the $600 million facility discussed in Note 27 'Borrowings' is payable at LIBOR plus a margin which is linked to the ratio of net debt to Adjusted EBITDA (see Additional Information on page 109) and ranges up to 2.8% per year.

Interest on the three $100 million facilities, also discussed in Note 27 'Borrowings', is calculated by reference to the ratio of Aggregate Utilisation to Total Commitment which may range up to 1.1% per year. At 31 December 2013, the Group had not drawn down on these facilities.

As at 31 December 2013, the Group had significant cash deposits and only fixed rate borrowings. A 1% increase in interest rates would not have a significant impact on the Group's finance expense for the current or prior year.

Credit risk management

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of transacting with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The credit rating is supplied by independent rating agencies. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually and monitored daily. In respect of its clients and suppliers the Group uses credit ratings as well as other publicly available financial information and its own trading records to rate its major counterparties.

The table below shows the carrying value of amounts on deposit (excluding cash and cash equivalents available on demand of $634 million) at the balance sheet date using the Standard and Poor's credit rating.

As at (in $ millions)	2013 31 Dec	2012 31 Dec
Counterparties rated AAA	**3.0**	3.0
Counterparties rated AA- to AA+	**–**	96.6
Counterparties rated A- to A+	**12.5**	583.0

34. Financial instruments *continued*

Net trade receivables (Note 20 'Trade and other receivables') arise from a large number of clients, dispersed geographically. Continuous credit evaluation is performed on the recoverability of trade receivables. The following table classifies outstanding balances into three debtor categories:

As at	**2013 31 Dec Debtor category percentage**	2012 31 Dec Debtor category percentage
National oil and gas companies	**21%**	8%
International oil and gas companies	**64%**	73%
Independent oil and gas companies	**15%**	19%
Total	**100%**	100%

National oil and gas companies are either partially or fully owned by or directly controlled by the government of any one country. Both international and independent oil and gas companies have a majority of public or private ownership. International oil and gas companies are generally larger in size and scope than independent oil and gas companies, although the distinction between them ultimately relates to the way the company describes itself.

The following table details the ageing analysis for trade receivables:

As at 31 December 2013

(in $ millions)	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**Total**
Trade receivables	**341.5**	**196.6**	**124.0**	**5.2**	**667.3**
Trade receivables considered impaired	**1.1**	**4.0**	**8.3**	**0.5**	**13.9**
Total trade receivables (Note 20)	**342.6**	**200.6**	**132.3**	**5.7**	**681.2**

As at 31 December 2012

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Trade receivables	644.0	147.1	4.3	19.9	815.3
Trade receivables considered impaired	0.2	–	0.4	2.4	3.0
Total trade receivables (Note 20)	644.2	147.1	4.7	22.3	818.3

Trade receivables balances beyond the one month ageing category in the table above are considered past due but not impaired. Trade receivables considered impaired are balances which are past due and considered not collectable.

The maximum exposure of the Group to credit-related loss of financial instruments is the aggregate of the carrying values of the financial assets as summarised on page 92.

Concentration of credit risk

The Group depends on certain significant clients. During the year, four clients (2012: four clients) contributed to more than 10% of the Group's revenue. The revenue from these clients was $3.4 billion or 54% of total Group revenues (2012: $3.4 billion or 55%).

The five largest receivables balances by client as at 31 December are shown in the table below:

As at (in $ millions)	**31 Dec 2013**
Client A	**175.7**
Client B	**70.1**
Client C	**62.6**
Client D	**62.3**
Client E	**36.8**

As at (in $ millions)	31 Dec 2012
Client A	223.9
Client B	98.0
Client C	90.8
Client D	90.1
Client E	59.6

The client mix for outstanding accounts receivable balances in 2013 is not the same as 2012. The Group does not have any significant credit risk exposure to any single counterparty as at 31 December 2013. The Group defines counterparties as having similar characteristics if they are related entities.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are primarily banks with high credit-ratings assigned by international credit-rating agencies. At 31 December 2013, 27% of cash was held at counterparties with a credit-rating lower than Standard and Poor's A- classification. This cash was held for operational reasons and was returned to counterparties with a credit rating of A- and above in January 2014.

Liquidity risk management

The Group has a framework for the management of short, medium and long-term funding and liquidity management requirements. The Group continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities. Liquidity risk is managed by maintaining adequate reserves, banking facilities and reserve borrowing facilities. Included in Note 27 'Borrowings' is a listing of undrawn facilities that the Group has at its disposal.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the payment can be required. The table consists of the principal cash flows:

As at 31 December 2013

(in $ millions)	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**5+ years**	**Total**
Trade payables	**96.1**	**99.7**	**3.2**	**–**	**–**	**199.0**
Convertible bonds	**–**	**–**	**291.6**	**721.0**	**–**	**1,012.6**
Current amounts due to associates and joint ventures	**–**	**1.9**	**6.0**	**–**	**–**	**7.9**
Non-current amounts due to associates and joint ventures	**–**	**–**	**–**	**1.8**	**–**	**1.8**
Total	**96.1**	**101.6**	**300.8**	**722.8**	**–**	**1,221.3**

As at 31 December 2012

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
Trade payables	126.4	35.5	–	–	–	161.9
Convertible bonds and convertible notes	–	–	527.9	1,012.6	–	1,540.5
Seven Havila loan	–	10.2	11.1	83.0	110.0	214.3
Loan from non-controlling interest	–	4.2	–	–	–	4.2
Total	126.4	49.9	539.0	1,095.6	110.0	1,920.9

The following table details the Group's liquidity profile for its derivative financial instruments. The table has been prepared based on the undiscounted net cash payments and (receipts) on the derivative instruments that settle on a net basis and the undiscounted gross payments and (receipts) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the balance sheet date.

As at 31 December 2013

(in $ millions)	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**5+ years**	**Total**
Net settled:						
Foreign exchange forward contracts	**–**	**1.3**	**2.6**	**8.8**	**–**	**12.7**
Interest rate swap	**–**	**–**	**–**	**3.6**	**–**	**3.6**
Gross settled:						
Foreign exchange forward contract payments	**145.0**	**78.9**	**64.6**	**13.2**	**–**	**301.7**
Foreign exchange forward contract receipts	**(144.6)**	**(77.2)**	**(62.2)**	**(12.9)**	**–**	**(296.9)**
Total	**0.4**	**3.0**	**5.0**	**12.7**	**–**	**21.1**

As at 31 December 2012

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
Net settled:						
Foreign exchange forward contracts	–	4.3	2.8	0.2	–	7.3
Interest rate swap	–	0.3	1.0	3.8	–	5.1
Gross settled:						
Foreign exchange forward contract payments	263.6	505.4	164.4	78.2	–	1,011.6
Foreign exchange forward contract receipts	(261.9)	(486.7)	(159.5)	(77.5)	–	(985.6)
Total	1.7	23.3	8.7	4.7	–	38.4

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 27 'Borrowings', cash and cash equivalents and equity attributable to shareholders of the parent company, comprising issued capital, reserves and retained earnings.

The Group monitors capital on the basis of debt service ratio (net debt/Adjusted EBITDA). Net debt is calculated by the principal value of borrowings plus current year operating lease payments adjusted by a multiplier of six, less cash and cash equivalents.

Debt service

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Principal value of convertible bonds and convertible notes	**975.0**	1,475.0
Seven Havila loan (Note 27)	**–**	157.7
Estimated present value of operating lease obligations[(a)]	**2,030.4**	2,031.6
Cash and cash equivalents	**(649.5)**	(1,287.9)
Net debt	**2,355.9**	2,376.4
Adjusted EBITDA (see Additional information on page 109)	**980.7**	1,138.9
Debt service ratio[(b)]	**2.4x**	2.1x

(a) Estimated present value of operating lease obligations is six times current year payments made under operating leases (Note 33 'Operating lease arrangements').

(b) The above is a representation of how the Group calculates net debt, however some adjustments have been made to the above table to reflect commercial sensitivities.

Fair value measurement

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 certain circumstances.

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

As at (in $ millions)	**2013 31 Dec Level 2**	**2013 31 Dec Level 3**	2012 31 Dec Level 2	2012 31 Dec Level 3
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through profit or loss – derivative instruments	**33.5**	**–**	53.9	–
Derivative instruments in designated hedge accounting relationships	**26.4**	**–**	20.1	–
Financial liabilities:				
Financial liabilities at fair value through profit or loss – derivative instruments	**(17.2)**	**–**	(30.2)	–
Derivative instruments in designated hedge accounting relationships	**(4.5)**	**–**	(8.1)	–
Non-recurring fair value measurements				
Assets classified as held for sale (Note 21)	**–**	**200.3**	–	150.3

During the year ended 31 December 2013 there have been 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.

Recurring fair value measurements

Financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Assumptions used in determining fair value of financial assets and financial liabilities are as follows:

Restricted cash deposits
The carrying amounts of restricted cash deposits represent their fair value, which is based on actual deposits held with financial institutions.

Loans and receivables
The fair value of loans and receivables is based on their carrying value which is representative of outstanding amounts owing and takes into consideration potential doubtful debts.

Forward foreign exchange contracts
The fair value of outstanding forward foreign exchange contracts is calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

Interest rate swap
The fair value of the Group's interest rate swap is calculated using quoted three-month US Dollar LIBOR rates. At the balance sheet date the three month US Dollar LIBOR rate was 0.2%.

Borrowings – convertible bonds and convertible notes
The fair value of the liability components of convertible bonds and convertible notes is determined by matching the maturity profile of the note to market interest rates available to the Group. At the balance sheet date the interest rates available ranged from 0.8% to 3.3% (2012: 2.1% to 3.7%).

Non-recurring fair value measurements
The Group's investments in Sonamet and Sonacergy, as described in Note 21 'Assets classified as held for sale' were valued at fair value less costs to sell in accordance with IFRS 5. The agreed consideration is discounted based on the estimated timing of the receipt of such proceeds using the Group's weighted average cost of capital of 10.1%. There was no change to the valuation policies and procedures in the year. Further information on the income statement impact for the year is included within Note 21 'Assets classified as held for sale'. Changes in fair value are recorded in the Condensed Consolidated Income Statement as impairment charges/reversals within operating expenses.

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 data (unobservable inputs).

35. Related party transactions
Key management personnel
Key management personnel include the Board of Directors and the Executive Management Team. The remuneration of these personnel is determined by the Compensation Committee of Subsea 7 S.A.

Non-Executive Directors
Details of fees paid to Non-Executive Directors for the year are set out below:

Name	Annual Fee $	Member of Audit Committee $	2013 31 Dec $	2012 31 Dec $
Kristian Siem	**200,000**	**–**	**–** (a)	–(a)
Sir Peter Mason KBE	**125,000**	**–**	**125,000**	125,000
Eystein Eriksrud	**105,000**	**6,000**	**111,000**	88,557(b)
Dod Fraser	**105,000**	**10,099**	**115,099**(c)	111,000
Robert Long	**105,000**	**3,074**	**108,074**(d)	105,000
Arild Schultz	**51,493**	**–**	**51,493**(e)	105,000
Allen Stevens	**105,000**	**–**	**105,000**	105,000
Trond Westlie	**51,493**	**6,866**	**58,359**(e)	119,000

(a) Mr Siem's fee is included within payments to Siem Industries Inc. as detailed in 'Other related party transactions' on page 101.

(b) Mr Eriksrud was appointed a non-executive director of Subsea 7 S.A. on 15 March 2012; his fee for 2012 was calculated on a pro rata basis. In addition, in 2012 Mr Eriksrud received NOK 85,000 ($15,239) for services in connection with the spin-off of Veripos Inc.

(c) Mr Fraser was appointed as chairman of the Audit Committee at the Annual General Meeting on 28 June 2013; Mr Fraser's fee for 2013 was calculated on a pro rata basis.

(d) Mr Long was appointed as a member of the Audit Committee at the Annual General Meeting on 28 June 2013; Mr Long's fee for 2013 was calculated on a pro rata basis.

(e) Mr Schultz and Mr Westlie did not stand for re-election at the Annual General Meeting on 28 June 2013; their fees for 2013 were calculated on a pro rata basis.

35. Related party transactions *continued*

Share options outstanding and shareholdings as at 31 December 2013 were as follows:

Share options

Name	Date of grant	Number of options	Exercise price	Date of expiry
Kristian Siem		–		
Sir Peter Mason KBE	21 Nov 2006	5,000	NOK124.50	20 Nov 2016
Eystein Eriksrud		–		
Dod Fraser		–		
Robert Long		–		
Allen Stevens		–		

Shareholdings

Name	Total owned shares
Kristian Siem(a)	–
Sir Peter Mason KBE	10,000
Eystein Eriksrud(b)	1,100
Dod Fraser	4,000
Robert Long	–
Allen Stevens	10,650

(a) As at 31 December 2013, Siem Industries Inc. which is a company controlled through trusts where Mr Siem and certain members of Mr Siem's family are potential beneficiaries, owned 69,731,931 shares, representing 19.8% of issued shares.

(b) Mr Eriksrud is Deputy CEO of Siem Industries Inc. which, as at 31 December 2013, owned 69,731,931 shares representing 19.8% of issued shares.

Key management

The remuneration of key management personnel, excluding the Non-Executive Directors, during the year was as follows:

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Salaries and other short-term employee benefits	**7.0**	8.7
Termination benefits	**–**	1.3
Share-based payments	**1.7**	3.2
Post-employment benefits	**0.5**	0.5
Total	**9.2**	13.7

The compensation of the Chief Executive Officer (CEO) for the year was $2.6 million (2012: $2.9 million) and included base salary, bonus, benefits-in-kind and pension contributions. This amount excludes the IFRS 2 'Share-based payments' charge for any incentive plans of which the CEO is a member.

Share options, performance and restricted shares outstanding and shareholdings as at 31 December 2013 were as follows:

Share options

Name	Date of grant	Number of options	Exercise price	Date of expiry
Jean Cahuzac	14 Apr 2008	100,000	NOK 123.00	13 April 2018
Nathalie Louys	19 Mar 2006	10,000	$13.81	18 Mar 2016
	21 Nov 2006	4,500	$19.45	20 Nov 2016
	12 Mar 2008	8,000	$22.52	11 Mar 2018
Keith Tipson	22 Nov 2005	22,000	NOK 67.75	21 Nov 2015
	21 Nov 2006	24,500	NOK 124.50	20 Nov 2016
	12 Mar 2008	15,000	NOK 114.50	11 Mar 2018

Shares, performance shares and restricted shares

Name	Total performance shares(a)	Total restricted shares(a)	Total owned shares
Jean Cahuzac	155,000	–	92,566
Ricardo Rosa	70,000	–	–
John Evans	80,000	54,670	1,129
Nathalie Louys	49,000	–	2,607
Keith Tipson	55,500	–	21,931
Steve Wisely	60,000	38,624	–

(a) Total performance shares and restricted shares held represent the maximum award assuming all conditions are met.

Transactions with key management personnel

During the year, key management personnel were awarded the rights to 209,000 shares (2012: 205,000) under the 2013 Long-term Incentive Plan; refer to Note 36 'Share-based payments' for details of the plan.

Dividends and dividends-in-kind totalling $0.1 million (2012: $0.4 million) were paid to key management personnel for directly held shareholdings.

Transactions with associates and joint ventures

During the year, the Group entered into transactions with associates and joint ventures which are reported in Note 16 'Interest in associates and joint ventures' and are made on terms equivalent to those that prevail in arm's length transactions.

Other related party transactions

The Group is an associate of Siem Industries Inc. and is equity accounted for within Siem Industries Inc.'s consolidated financial statements. Payments were made to Siem Industries Inc. in relation to the services provided by Mr Siem and other services totalling $0.3 million (2012: $0.3 million). Dividends and dividends-in-kind totalling $41.8 million (2012: $58.7 million) were paid to Siem Industries Inc.

Siem Offshore Inc. is an associate of Siem Industries Inc. and has Mr Eriksrud as its Chairman and Mr Siem as a board member. Purchases by the Group from subsidiaries of Siem Offshore Inc. relating to vessel charter costs and provision of crew, totalling $10.3 million, were made during the year (2012: $31.9 million). At 31 December 2013, the Group had outstanding balances due to these companies of $nil (2012: $0.4 million).

During the year ended 31 December 2013, the Group purchased the construction vessel the *Seven Sisters* from a subsidiary of Siem Offshore Inc. for a total of $84.2 million (of this $8.4 million was paid in 2012). The vessel was renamed the *Simar Esperança*.

DSND Bygg AS is ultimately controlled by Siem Industries Inc. Purchases from DSND Bygg AS in relation to the rental of office accommodation totalling $0.5 million (2012: $0.5 million) were made during the year, offset by recharges for office management services of $0.2 million (2012: $0.2 million).

36. Share-based payments

The Group operates several share-based payment schemes, both equity-settled and cash-settled.

The following table summarises the compensation expense recognised in the Consolidated Income Statement during the year:

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Expense arising from equity-settled share-based payment transactions:		
2003 Plan	**–**	0.2
2009 Long-term Incentive Plan	**5.3**	5.4
2013 Long-term incentive Plan	**0.8**	–
Subsea 7 Inc. restricted stock award plan	**2.0**	6.9
Expense arising from cash-settled share-based payment transactions:		
2009 Executive Deferred Incentive Scheme	**–**	0.8
2010 Executive Deferred Incentive Scheme	**0.6**	–
2010 Long-term Incentive Plan – cash plan	**0.2**	1.1
Special Incentive Plan 2009	**–**	3.9
Special Incentive Plan 2012	**3.4**	1.2
Total	**12.3**	19.5

Equity-settled schemes

2003 Plan

The Group operated a share option plan which was approved in April 2003 (the 2003 Plan). This plan included an additional option plan for key employees resident in France as a sub-plan (the 'French Plan'), and additional options which were granted under the Senior Management Incentive Plan. The Compensation Committee appointed by the Board of Directors administers these plans. Options were awarded at the discretion of the Compensation Committee to directors and key employees.

Options under the 2003 Plan (and therefore also under the French Plan) are exercisable for periods of up to ten years, at an exercise price not less than the fair market value per share at the time the option is granted. All such options had vested at 31 December 2013. Share option exercises are satisfied by reissuing treasury shares. Furthermore, options are generally forfeited if the option holder leaves the Group under any circumstances other than due to the option holder's death, disability or retirement before his or her options are exercised.

No further share options will be granted under the 2003 Plan or the French Plan.

36. Share-based payments *continued*

2013 Long-term Incentive Plan

The 2013 Long-term Incentive Plan (2013 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 28 June 2013. The 2013 LTIP has a five-year term with awards being made annually and replaces the 2009 LTIP. The aggregate number of shares which may be granted in any calendar year is limited to 0.5% of issued and outstanding share capital on 1 January of each such calendar year. Grants are determined by the Compensation Committee, which is responsible for operating and administering the plan.

The 2013 LTIP is an essential component of the Group reward strategy, and was designed to align the interests of participants with those of Subsea 7's shareholders, and enables participants to share in the success of the Group. The 2013 LTIP provides for share awards, which are earned after three years, based on certain performance conditions, and vest after at least three years.

Performance conditions are based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions are determined over a three-year period.

During 2013, awards of 1,412,000 shares were made under the terms of the 2013 LTIP; 917,800 shares are subject to relative TSR performance measures and 494,200 are subject to ROAIC performance measures.

TSR based awards

The Group will have to deliver a TSR ranking above the median for any awards to vest. If the ranked TSR position of Subsea 7 during the three-year period, as converted to a percentage, is equal to 50%, 20% of the share award will vest. If the actual ranked TSR position of Subsea 7 is greater than 50% and below 90%, the vesting of the share award between 20% and 65% is determined by linear interpolation. The maximum award of 65% would only vest if the Group achieved top decile TSR ranking.

ROAIC based awards

ROAIC will be calculated for each of the three years of the performance period on a quarterly basis. If the average ROAIC achieved by the Group during the performance period is greater than 9% but less than 11%, vesting between 5% and 15% shall be determined by linear interpolation. If the actual ROAIC achieved by the Group during the performance period is greater than 11% but less than 14%, vesting between 15% and 35% shall be determined by linear interpolation. The maximum award of 35% would only vest if the Group achieved average ROAIC of 14% or greater.

Under the terms of the award plan participants are not entitled to receive dividend equivalent payments.

Approximately 150 senior managers and key employees participate in the 2013 LTIP. Individual award caps are in place such that no senior executive or other employee may be granted shares under the 2013 LTIP in a single calendar year that have an aggregate fair market value in excess of 150%, in the case of senior executives, or 100%, in the case of other employees, of their annual base salary as of the first day of the year of award. Additionally, a holding requirement for senior executives applies where senior executives must hold 50% of all awards that vest until they have built up a shareholding with a fair value of 150% of their annual base salary which must be maintained throughout their tenure.

The IFRS 2 'Share-based payments' fair value of each performance share granted under the 2013 LTIP is estimated as of the grant date using a Monte Carlo simulation model with weighted average assumptions as follows:

For the year ended	**2013 31 Dec**
Weighted average share price (in $)	**20.94**
TSR performance – Weighted average fair value at grant date (in $)	**10.26**
ROAIC performance – Weighted average fair value at grant date (in $), excluding non-market measure	**19.27**
Expected volatility	**38%**
Risk free rate	**1.97%**
Dividend yield	**2.74%**

The expected volatility over the performance period is estimated from the Company's historical volatility. The award fair values were adjusted to recognise that participants are not entitled to receive dividend equivalent payments using the one-year dividend yield of 2.74%.

The non-market ROAIC performance condition is not incorporated into the grant date fair value of the ROAIC based awards. The value of each award will be adjusted at every reporting date to reflect the Group's current expectation of the number of performance shares which will vest.

2009 Long-term Incentive Plan

The 2009 Long-term Incentive Plan (2009 LTIP) was approved by the Company's shareholders at the Extraordinary General Meeting on 17 December 2009. The 2009 LTIP had a five-year term but was replaced with the 2013 LTIP during 2013.

The 2009 LTIP provided share awards, which are earned after three years, based on certain performance conditions, and vest after at least three years.

Performance conditions are based on relative Total Shareholder Return (TSR) against a specified comparator group of companies and are determined over a three-year period. The Group will have to deliver TSR above the median for any awards to vest. At the median level, only 30% of the maximum award will vest. If the actual ranked TSR position of Subsea 7 during the three-year period, as converted to a percentage, is equal to or greater than 50% and below 90%, the vesting of the share award between 30% and 100% is determined by linear interpolation. The maximum award would only vest if the Group achieved top decile TSR ranking.

Approximately 120 senior managers and key employees participate in the 2009 LTIP. Grants were determined by the Compensation Committee, which is responsible for operating and administering the plan.

The IFRS 2 'Share-based payments' fair value of each performance share granted in 2012 under the 2009 LTIP is estimated as of the grant date using a Monte Carlo simulation model with weighted average assumptions as follows:

For the year ended	2012 31 Dec
Weighted average fair value at grant date (in $)	11.32
Weighted average share price (in $)	23.16
Expected volatility	39%
Expected life	5 years
Risk free rate	1.3%

The expected life represents the maximum vesting period. The expected volatility over the expected life is estimated from the Company's historical volatility.

Subsea 7 Inc. restricted stock award plan

Certain employees of the Group were awarded, prior to the Combination, a total of 1.7 million shares. On Combination these awards were replaced by Subsea 7 S.A. with 1.8 million restricted share awards, at the exchange ratio 1.065 replacement restricted share for each previously awarded restricted share. The shares had a fair value of $25.19 (NOK 151.3) per share equivalent to the market price on the Combination date. In accordance with IFRS 3 'Business Combinations' and IFRS 2 'Share-based payments', a proportion of this fair value was treated as consideration for the Combination; the remainder will be expensed over the remaining vesting period.

The awards will normally vest and shares will be issued or transferred to the employee subject to the employee remaining in employment with the Group until the vesting dates that are specified in the award certificate. 60% of the awards vested in 2012, and the remaining 40% of the awards will normally vest in 2014.

Awards do not attract any dividends or dividend equivalents prior to the delivery of shares. Participants do not have any voting rights in respect of the vested number of shares awarded prior to the delivery of the shares. Once delivered, all shares awarded under the share plan carry the same rights as any other issued common shares in the Company.

At 31 December 2013, 450,921 restricted shares had still to vest (2012: 501,189).

Subsea 7 Inc. share option plans

As part of the Combination, the Group replaced the share options previously issued by Subsea 7 Inc. All such share options had vested as at 31 December 2013.

Share options

Option activity for the 2003 Plan and Subsea 7 Inc. share option plans was as follows:

For the year	**Number of options 2013**	**Weighted average exercise price in $ 2013**	Number of options 2012	Weighted average exercise price in $ 2012
Outstanding at year beginning	**1,765,027**	**16.66**	2,287,513	15.82
Exercised	**(218,371)**	**8.45**	(509,986)	13.93
Forfeited	**(21,750)**	**18.42**	(5,500)	22.30
Expired	**(31,125)**	**2.12**	(7,000)	10.66
Outstanding at year end	**1,493,781**	**17.10**	1,765,027	16.66
Exercisable at the end of the year	**1,493,781**	**17.10**	1,765,027	16.66

The weighted average exercise market price at exercise date of options exercised during the year was $20.55 (2012: $23.77).

36. Share-based payments *continued*

The following table summarises information regarding share options outstanding as at 31 December 2013:

Common shares (range of exercise prices)	Options outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price (in $)
$17.01 – $26.16	**1,083,961**	**3.67**	**20.25**
$10.01 – $17.00	**228,070**	**1.92**	**11.57**
$3.01 – $10.00	**151,750**	**0.92**	**5.83**
$1.19 – $3.00	**30,000**	**0.37**	**2.63**
Total	**1,493,781**	**3.03**	**17.10**

Cash-settled schemes

2009 and 2010 Executive Deferred Incentive Schemes

These cash-settled schemes are closed to new awards. The 2009 Executive Deferred Incentive Scheme vested during the prior year and the 2010 Executive Deferred Incentive Scheme vested during 2013.

2010 Long-term Incentive Plan – cash plan

This cash-settled scheme is closed to new awards. All existing awards vested during 2013.

Special Incentive Plan 2009

The Special Incentive Plan 2009 (SIP 2009) was a cash-settled incentive plan designed to provide awards to selected executives and key employees. Awards under the SIP 2009 were in the form of a cash bonus, paid in April 2012, of between zero and twelve months base salary, dependent on the Company's average share price as quoted on the Oslo Børs between 1 January 2012 and 31 March 2012. No other performance criteria applied. All amounts which vested were paid during the prior year.

Special Incentive Plan 2012

In September 2012, the Company put in place the Special Incentive Plan 2012 (SIP 2012), a cash-settled incentive plan designed to provide awards to selected employees. Awards under the SIP 2012 are in the form of a cash bonus payable in September 2014. The plan guarantees to pay a minimum of 25% of base salary. As well as the guaranteed incentive payment, employees could also receive a further payment of up to 25% of base salary, resulting in an overall maximum incentive payment of 50% of base salary. The share price must increase from $23.16 to $30.02 by the end of the performance period in order for the maximum incentive payment to be paid. If the share price falls within this range, the amount of the additional incentive payment will be calculated on a straight-line basis. The Company's share price at the end of the performance period will be based on the average share price quoted on the Oslo Børs between 1 June 2014 and 31 August 2014. There are no other performance conditions.

Recognised cash-settled share-based payment liability

The carrying amount of the liability relating to the cash-settled share-based payments as at 31 December 2013 was $4.6 million (2012: $4.4 million).

37. Retirement benefit obligations

The Group operates both defined contribution and defined benefit pension plans, depending on location, covering certain qualifying employees.

The Group's contributions under the defined contribution pension plans are determined as a percentage of individual employee gross salaries. The expense relating to these plans for the year was $78.0 million (2012: $56.1 million).

Defined benefit plans

The Group operates both funded and unfunded defined benefit pension plans.

France

The defined benefit plan for France is called the indemnités de fin de carrière (retirement indemnity plan) and is pursuant to applicable French legislation and labour agreements in force in the industry. A lump-sum payment is made to employees upon retirement based on length of service, employment category and the employee's final salary. The obligation is unfunded and uninsured, as is standard practice in France. Since the retirement indemnity plan is based upon specific lengths of service, categories and values set by French legislation and collective agreements there is no specific trust or internal governance in place for this plan.

Norway

There are several separate contracts covering defined benefit pension liabilities in Norway. These are known as the office plan and the sailor plan. The office plan is closed to new members. Under the plans, pensions are paid upon retirement based on the employee's length of service and final salary. The plans have been established in accordance with Norwegian legislation. The funds of the pension schemes are made to separately administered funds. Due to Norwegian legislation the pension scheme must provide an annual guaranteed return on investment, and consequently, the plan assets have a bias toward bonds rather than equities. Whilst the pension company is responsible for handling the plan according to Norwegian law, Subsea 7 is obligated to have a steering committee for the plan. The steering committee considers and makes recommendations to the Group on matters relating to the plan, including but not limited to: composition of the investment portfolio, amendments to the scheme, administration and enforcement of the scheme, transfer of funds to the Group, transfer of the scheme to another pension provider and termination of the pension scheme.

United Kingdom

The United Kingdom pension plan (the Comex DB pension plan) was closed to future accrual in 2012 and the plan was funded by the Group to allow the trustees to proceed with a buy-out of the plan. The buy-out process is in progress and is anticipated to be completed in 2014. An associated curtailment gain of $2.6 million and settlement charge of $11.3 million were recognised in the Consolidated Income Statement in 2012.

Changes in the defined benefit obligation and fair value of plan assets

The following table provides a reconciliation of the changes in retirement benefit obligations and in the fair value of plan assets:

	Norway		United Kingdom		France		Total	
For the year (in $ millions)	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Defined benefit obligation								
At year beginning	**(33.2)**	(29.5)	**(30.0)**	(28.3)	**(14.4)**	(11.9)	**(77.6)**	(69.7)
Pension costs charged to the Consolidated Income Statement:								
Service costs	**(1.0)**	(1.0)	**–**	(0.1)	**(1.2)**	(1.0)	**(2.2)**	(2.1)
Interest cost	**(0.7)**	(0.9)	**(1.3)**	(1.2)	**(0.4)**	(0.5)	**(2.4)**	(2.6)
Curtailment	**–**	–	**–**	2.6	**–**	–	**–**	2.6
Employee taxes	**(0.2)**	–	**–**	–	**–**	–	**(0.2)**	–
Sub-total	**(1.9)**	(1.9)	**(1.3)**	1.3	**(1.6)**	(1.5)	**(4.8)**	(2.1)
Remeasurement gains/(losses) recognised in other comprehensive income:								
Actuarial changes arising from changes in demographic assumptions	**(1.8)**	–	**–**	–	**–**	–	**(1.8)**	–
Actuarial changes arising from changes in financial assumptions	**5.8**	(0.9)	**(1.0)**	(1.8)	**–**	(1.0)	**4.8**	(3.7)
Experience adjustments	**2.0**	(0.1)	**–**	(2.5)	**0.4**	(0.4)	**2.4**	(3.0)
Sub-total	**6.0**	(1.0)	**(1.0)**	(4.3)	**0.4**	(1.4)	**5.4**	(6.7)
Benefits paid	**0.9**	1.1	**0.6**	2.0	**0.3**	0.6	**1.8**	3.7
Exchange differences	**2.9**	(1.9)	**(0.2)**	(0.7)	**(0.6)**	(0.2)	**2.1**	(2.8)
At year end	**(25.3)**	(33.2)	**(31.9)**	(30.0)	**(15.9)**	(14.4)	**(73.1)**	(77.6)
Fair value of plan assets								
At year beginning	**24.5**	22.3	**30.0**	19.0	**–**	–	**54.5**	41.3
Pension costs charged to the Consolidated Income Statement:								
Interest Income	**0.5**	1.2	**1.3**	1.3	**–**	–	**1.8**	2.5
Settlements	**–**	–	**–**	(11.3)	**–**	–	**–**	(11.3)
Sub-total	**0.5**	1.2	**1.3**	(10.0)	**–**	–	**1.8**	(8.8)
Remeasurement gains/(losses) recognised in other comprehensive income:					**–**	–		
Return on plan assets (excluding amounts in interest income)	**(1.0)**	(0.1)	**0.9**	_	**–**	–	**(0.1)**	(0.1)
Administrative expenses	**(0.3)**	(0.2)	**–**	–	**–**	–	**(0.3)**	(0.2)
Experience adjustments	**0.5**	–	**–**	(0.2)	**–**	–	**0.5**	(0.2)
Sub-total	**(0.8)**	(0.3)	**0.9**	(0.2)	**–**	–	**0.1**	(0.5)
Employer and participant contributions	**0.7**	0.9	**–**	22.5	**–**	–	**0.7**	23.4
Benefits paid	**(0.9)**	(1.0)	**(0.6)**	(2.0)	**–**	–	**(1.5)**	(3.0)
Exchange differences	**(1.9)**	1.4	**0.3**	0.7	**–**	–	**(1.6)**	2.1
At year end	**22.1**	24.5	**31.9**	30.0	**–**	–	**54.0**	54.5
Net defined benefit obligation	**(3.2)**	(8.7)	**–**	–	**(15.9)**	(14.4)	**(19.1)**	(23.1)
Presented as:								
Retirement benefit assets	**–**	0.3	**–**	–	**–**	–	**–**	0.3
Retirement benefit obligations	**(3.2)**	(9.0)	**–**	–	**(15.9)**	(14.4)	**(19.1)**	(23.4)
Total	**(3.2)**	(8.7)	**–**	–	**(15.9)**	(14.4)	**(19.1)**	(23.1)

37. Retirement benefit obligations *continued*

Unfunded schemes

Included within the defined benefit obligation are amounts arising from plans which are unfunded. The unfunded plans are the French plan and two Norwegian plans with a total obligation of $nil (2012: $nil).

Plan assets

The plan assets of the United Kingdom Scheme relate wholly to a qualifying insurance policy that exactly matches the amount and timing of the benefits payable under the plan. Accordingly, the fair value of that insurance policy is deemed to be the present value of the related obligations.

The fair value of the Norwegian plan assets were as follows:

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Investments quoted in active markets		
Quoted equity investments	**2.4**	2.2
Unquoted investments		
Deposits	**4.9**	0.1
Bonds	**11.2**	18.2
Property	**2.7**	4.0
Other	**0.9**	–
Total	**22.1**	24.5

Future cash flows

No additional amounts are forecast to be paid into the United Kingdom plan.

The estimated contributions expected to be paid into the French and Norwegian plans during 2014 total $2.6 million. Contributions are forecast to decrease thereafter.

The average remaining service period for the Norwegian plans is ten years.

Significant actuarial assumptions

The principal assumptions used to determine the present value of the defined benefit obligation were as follows:

Year ended 31 December 2013

(in %)	**Norway**	**United Kingdom**	**France**
Pension increase	**0.6 – 3.5**	**3.4**	**–**
Discount rate	**4.1**	**4.4**	**3.0**
Future salary increase	**3.8**	**–**	**3.8**

Year ended 31 December 2012

(in %)	Norway	United Kingdom	France
Pension increase	0.2 – 3.2	2.1 – 2.9	–
Discount rate	2.4	4.4	3.0
Future salary increase	3.5	–	3.8

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience. The average life expectancy in years of a pensioner retiring at the plan retirement age was as follows:

			As at balance sheet date	
Retirement benefit plan	Retirement age	Sex	**2013 31 Dec**	2012 31 Dec
Norway sailor plan	60 years	Male	**22.3**	23.4
		Female	**25.3**	26.9
Norway office plan	67 years	Male	**21.4**	17.2
		Female	**23.9**	20.2
United Kingdom plan	66 years	Male	**21.3**	21.2
		Female	**23.9**	23.8

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at 31 December 2013 is shown below. The sensitivity analyses have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Norway – sailor plan

(in $ millions)	Pension increase		Discount rate		Future salary increase	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on the net defined benefit obligation	**(0.3)**	**0.2**	**0.6**	**(0.7)**	**(0.9)**	**0.9**

Norway – office plan

(in $ millions)	Pension increase		Discount rate		Future salary increase	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on the net defined benefit obligation	**(1.1)**	**0.9**	**0.9**	**(1.1)**	**–**	**–**

France

(in $ millions)	Discount rate	
Sensitivity level	0.25% increase	0.25% decrease
Impact on the net defined benefit obligation	**0.5**	**(0.5)**

United Kingdom

Any change in actuarial assumptions would be matched by the valuation of the qualifying insurance policy and therefore would not have an impact on the net defined benefit obligation.

38. Deferred revenue

As at (in $ millions)	**2013 31 Dec**	2012 31 Dec
Advances received from clients	**3.2**	76.8
Total	**3.2**	76.8

Advances received from clients include amounts received before the related work is performed on day-rate contracts and amounts paid by clients in advance of work commencing on construction contracts.

39. Cash flow from operating activities

For the year ended (in $ millions)	Notes	**2013 31 Dec**	2012 31 Dec
Cash flow from operating activities:			
Net income before taxes		**510.8**	1,068.8
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	15	**339.8**	314.5
Net impairment/(impairment reversal)	7	**48.3**	(2.7)
Amortisation of intangible assets	14	**9.4**	13.2
Mobilisation costs	7	**9.8**	5.7
Adjustments for investing and financing items:			
Share in net income of associates and joint ventures	16	**(127.1)**	(86.3)
Finance income	9	**(22.1)**	(15.8)
Finance costs	9	**70.9**	44.8
(Gain)/loss on disposal of property, plant and equipment	8	**(12.1)**	0.2
Gain on disposal of subsidiary	40	**–**	(243.6)
Gain on distribution	11	**–**	(5.6)
Adjustments for equity items:			
Share-based payments	36	**8.1**	12.5
Reclassification of exchange differences relating to the disposal of foreign subsidiaries	8	**–**	(18.9)
		835.8	1,086.8
Changes in operating assets and liabilities:			
Decrease/(increase) in inventories		**13.9**	(12.0)
Increase in operating receivables		**(11.5)**	(451.3)
Increase in operating liabilities		**327.2**	107.7
		329.6	(355.6)
Income taxes paid		**(184.9)**	(216.1)
Net cash generated from operating activities		**980.5**	515.1

40. Disposal of subsidiary

Disposal of the Group's share of NKT Flexibles in 2012

During 2012, the Boards of Directors of NKT Holding A/S and Subsea 7 S.A. announced the sale of their joint venture NKT Flexibles to National Oilwell Varco for a total cash consideration of DKK 3.8 billion. On 4 April 2012, the sale of Danco AS, a wholly owned subsidiary of the Group which owned 49% of NKT Flexibles, was completed. The total gain on disposal recognised was $243.6 million.

Summarised financial information relating to the disposal is shown in the table below:

(In $ millions)	2012 4 Apr
Non-current assets	125.4
Cash and cash equivalents	20.6
Non-current liabilities	(26.7)
Current liabilities	(0.9)
Total carrying amount of net assets disposed	118.4
Consideration is comprised of:	
Cash	364.8
Consideration	364.8
Costs of disposal	(2.8)
Total carrying amount of net assets disposed	(118.4)
Gain on disposal of subsidiary	243.6
Net cash flows from disposal of subsidiary	344.2

41. Post balance sheet events

Share repurchase plan

At 28 February 2014, the Group had repurchased a further 1,276,413 shares for a total consideration of $23.1 million.

Proposed dividends

The Board of Directors has recommended that shareholders approve a special dividend of NOK 3.60 per share at the next Annual General Meeting on 27 June 2014.

ADDITIONAL INFORMATION

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 year-on-year or with other businesses. The Group calculates Adjusted EBITDA as net income plus finance costs, other gains and losses (including gain on disposal of subsidiary and gain on distribution), taxation, depreciation, amortisation and mobilisation and adjusted to exclude finance income 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 to net operating income:

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Net operating income	**573.4**	808.2
Depreciation, amortisation and mobilisation	**359.0**	333.4
Impairments/(impairment reversals)	**48.3**	(2.7)
Adjusted EBITDA	**980.7**	1,138.9
Revenue	**6,297.1**	6,296.6
Adjusted EBITDA %	**15.6%**	18.1%

Reconciliation to net income:

For the year ended (in $ millions)	**2013 31 Dec**	2012 31 Dec
Net income	**349.9**	847.2
Depreciation, amortisation and mobilisation	**359.0**	333.4
Impairments/(impairment reversals)	**48.3**	(2.7)
Finance income	**(22.1)**	(15.8)
Other gains and losses	**13.8**	(289.6)
Finance costs	**70.9**	44.8
Taxation	**160.9**	221.6
Adjusted EBITDA	**980.7**	1,138.9
Revenue	**6,297.1**	6,296.6
Adjusted EBITDA %	**15.6%**	18.1%

Special note regarding forward-looking statements

Certain statements made in this Report may include 'forward-looking statements'. These statements relate to our expectations, beliefs, intentions or strategies regarding the future. These statements may be identified by the use of words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'may', 'plan', 'project', 'should', 'will', 'seek', and similar expressions.

The forward-looking statements that we make reflect our current views and assumptions with respect to future events and are subject to risks and uncertainties. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, including those discussed in this Report under 'Risk Management', 'Financial Review' and the quantitative and qualitative information disclosures about Market Risk contained in Note 34 'Financial instruments' to the Consolidated Financial Statements. The following factors are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: (i) our ability to deliver fixed price projects in accordance with client expectations and the parameters of our bids and avoid cost overruns; (ii) our ability to collect receivables, negotiate variation orders and collect the related revenue; (iii) our ability to recover costs on significant projects; (iv) capital expenditures by oil and gas companies; (v) the current global economic situation and level of oil and gas prices; (vi) delays or cancellation of projects included in our backlog; (vii) competition in the markets and businesses in which we operate; (viii) prevailing prices for our products and services; (ix) the loss of, or deterioration in our relationship with, any significant clients; (x) the outcome of legal proceedings or governmental inquiries; (xi) uncertainties inherent in operating internationally, including economic, political and social instability, boycotts or embargoes, labour unrest, changes in foreign governmental regulations, corruption and currency fluctuations; (xii) liability to third parties for the failure of our joint venture partners to fulfil their obligations; (xiii) changes in, or our failure to comply with, applicable laws and regulations; (xiv) cost and availability of supplies and raw materials; (xv) operating hazards, including spills, environmental damage, personal or property damage and business interruptions caused by adverse weather; (xvi) equipment or mechanical failures, which could increase costs, impair revenue and result in penalties for failure to meet project completion requirements; (xvii) the timely delivery of vessels on order and the timely completion of ship conversion programmes; (xviii) the impact of changes to estimated future costs and revenues used in project accounting on a 'percentage-of-completion' basis, which could reduce or eliminate reported profits; (xix) our ability to keep pace with technological changes; (xx) the effectiveness of our disclosure controls and procedures and internal control over financial reporting; and (xxi) actions by regulatory authorities or other third parties.

Many of these factors are beyond our ability to control or predict. Given these uncertainties, you should not place undue reliance on the forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Investor relations and press enquiries
Shareholders, securities analysts, portfolio managers, representatives of financial institutions and the press may contact:

Keith Russell
Investor Relations Director
Email: keith.russell@subsea7.com
Telephone: +44 (0) 20 8210 5568

Financial information
Copies of Stock Exchange announcements (including the Group's quarterly and semi-annual results announcements and the Group's Annual Report and Consolidated Financial Statements) are available on the Group's website www.subsea7.com.

Any shareholder requiring a printed copy of the Group's Annual Report and Consolidated Financial Statements or the Company's Financial Statements can request these via the website www.subsea7.com.

Stock listings
Common shares – Traded on Oslo Børs under the symbol SUBC – www.olsobors.no.

Registrar – Common Shares
Registrar for the shares of Subsea 7 S.A., recorded in the Norwegian Central Securities Depository (Verdipapirsentralen – the 'VPS').

DNB Bank ASA
Postboks 1600 Sentrum
NO-0021 Oslo
Norway
Telephone: +47 23 26 80 16
Fax: +47 22 94 90 20
Email: irene.johansen@dnb.no

Depository Bank – ADRs
Subsea 7 S.A. has a sponsored Level 1 ADR facility, for which Deutsche Bank Trust Company Americas acts as depository. Each ADR represents one common share of the Company. The ADRs are quoted over-the-counter ('OTC') in the US under the ticker symbol SUBCY.

For enquiries, beneficial ADR holders may contact the broker service of Deutsche Bank Trust Company Americas.

Deutsche Bank Trust Company Americas
27th Floor
60 Wall Street
New York, NY 10005
USA

Shareholder Service: +1 866 249 2593 (toll free for US residents only)

Broker Service Desk: +1 212 250 9100

Further information is also available at: www.adr.db.com.

Financial calendar
Subsea 7 S.A. intends to publish its quarterly financial results for 2014 on the following dates:

Q1 2014 Results	30 April 2014
Q2 & H1 2014 Results	31 July 2014
Q3 2014 Results	12 November 2014
Q4 & FY 2014 Results	March 2015

2014 Annual General Meeting
27 June 2014 at 15.00 CET
412F, route d'Esch
L-2086 Luxembourg

Registered office
412F, route d'Esch
L-2086 Luxembourg

Website
www.subsea7.com

GLOSSARY

Academy 7	Subsea 7's internal Learning and Development Academy which provides technical and functional training.
Acergy S.A.	The legacy company prior to the Combination which completed following the close of business on the Oslo Børs on 7 January 2011.
Adjusted EBITDA	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, other gains and losses (including gain on disposal of subsidiary and gain on distribution), taxation, depreciation, amortisation and mobilisation and adjusted to exclude finance income 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.
ADR	American Depositary Receipt (one Subsea 7 S.A. ADR represents one ADS).
ADS	American Depositary Share of Subsea 7 S.A.
AFGOM	Africa, Gulf of Mexico & Mediterranean Territory.
AIV	Underwater autonomous inspection vehicle.
APME	Asia Pacific & Middle East Territory.
Articles of Incorporation	The articles of incorporation of Subsea 7 S.A.
Backlog	Expected future revenue from in-hand projects only where an award has been formally signed. Backlog awarded to associates/joint ventures is excluded from backlog figures, unless otherwise stated.
Being 7	The global employer brand of Subsea 7.
Board or Board of Directors	The Board of Directors of Subsea 7 S.A.
BuBi®	A Mechanically Lined Pipe jointly developed by Subsea 7 and BUTTING Group to handle corrosive fluids in offshore applications, where the carbon steel pipe is protected by an internal corrosion-resistant liner.
Buoy-Supported Riser (BSR)	The BSR concept consists of a large sub-surface buoy which is anchored to the seabed by tethers. The buoy supports multiple Steel Catenary Risers which are connected to the FPSO by flexible jumpers.
Bundle	A pipeline bundle incorporates all the structures, valve work, pipelines and control systems necessary to operate a field in one single pre-assembled product. The finished Bundle is transported to its offshore location by a Controlled Depth Tow Method, delivering considerable value and cost savings to our clients.
Bundle-lay	The Controlled Depth Tow Bundle-lay method was pioneered and developed by Subsea 7 and involves the transportation of pre-fabricated and fully-tested pipelines, control lines and umbilicals in a Bundle configuration suspended between two tow vessels. On arrival at the field, the Bundle is lowered to the seabed, manoeuvred into location and the carrier pipe is flooded to stabilise the Bundle in its final position.
BUTTING	The BUTTING Group is a leading international processor of stainless steel.
Caisson	A long cylindrical structure attached to a platform from near the seabed up to the platform's deck containing a number of smaller riser pipes.
CapEx	Capital expenditure.
Cash-generating unit (CGU)	These are the separable business units on which impairment reviews are carried out.
Combination	The repurchase and cancellation of all of the issued and outstanding ordinary shares in the capital of Subsea 7 Inc., the issue by Subsea 7 Inc. of new ordinary shares to Acergy S.A. (now Subsea 7 S.A.) and the issue of new common shares to the Subsea 7 Inc. shareholders, which took place on 7 January 2011. Under IFRS, the Combination is accounted for as an acquisition.

Company	Subsea 7 S.A.
Composites	Bonded thermoplastic pipes under development as potential alternatives to established metallic options.
Conventional	The projects relating to the fabrication and installation of fixed platforms and their umbilicals, flowlines and associated pipelines (surface/shallow water developments).
Dalia	Dalia Floater Angola SNC and TSS Dalia SNC.
Day-rate contract	A contract in which the contractor is remunerated by the customer at an agreed daily rate (often with agreed escalations for multi-year contracts) for each day of use of the contractor's vessels, equipment, personnel and other resources and services utilised on the contract. Such contracts may also include certain lump-sum payments e.g. for activities such as mobilisation and demobilisation of vessels and equipment.
Decommissioning	The taking out of service of production facilities at the end of their economic lives and their removal or partial removal from offshore for recycling and/or disposal onshore.
Deep Seas Insurance	Deep Seas Insurance Limited.
Diving Support Vessel (DSV)	An offshore construction vessel that has dedicated saturation diving chamber(s) and dive bells for subsea construction activities in water depths of up to 300 metres.
DNB	Den Norske Bank.
DNV	Det Norske Veritas, a Norwegian classification society.
Draft	The depth of a ship's keel below the waterline.
EBITDA	See Adjusted EBITDA.
Eidesvik Seven	Eidesvik Seven AS and Eidesvik Seven Chartering AS.
Electrically Trace Heated	A high-performance Pipe-in-Pipe technology that offers enhanced flow assurance properties.
Enabler	See Enabling vessel.
Enabling vessel	A strategic pipelay and/or construction vessel that has the scale, versatility and flexibility to support the technically challenging demands of seabed-to-surface activities globally.
ENMAR	ENMAR S.A.
EPIC	Engineering, Procurement, Installation and Commissioning.
Executive Management Team	The Executive Management Team of Subsea 7 S.A. comprises: the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Executive Vice President – Human Resources, General Counsel and Executive Vice President – Commercial.
Fabrication yard	An operational yard for the fabrication and/or assembly and refurbishment of subsea structures and topsides.
FEED	Initial conceptual front-end engineering design related to field development.
Flex-lay	A pipelay method for installing flexible pipelines, risers and in-line structures by spooling these from a reel, carousel or basket, bending them over a chute and guiding them onto the seabed.
Flowline	A pipeline carrying oil, gas or water that connects the subsea wellhead to a manifold or to surface production facilities.
FPSO	A floating production, storage and offloading unit. A floating vessel used by the offshore industry for the processing and storage of oil and gas.
Global Oceon	Global Oceon Engineers Nigeria Limited.
GOM	Gulf of Mexico.
GSNC Shallow	Consórcio GSNC Raso.
Group	Subsea 7 S.A. and its subsidiaries.
Grouped SLORS	A qualified un-coupled riser system developed for deepwater applications.
Heavy lift vessel	An offshore vessel or barge designed to lift objects greater than 1,000 tonnes for subsea construction and topside operations.

Hook-up	The process of making connections from a well to an oil and gas separator and from the separator to either the storage tanks or a flowline.
Hybrid Riser Tower (HRT)	HRTs are recognised to have significant benefits for deepwater riser applications in terms of flow assurance, thermal performance and robustness of layout. An HRT provides the required flexibility by avoiding a crowded layout and allowing a progressive deployment. The concept is applicable to deepwater and ultra-deepwater, and to spread-moored and turret-moored FPSO installations.
ICMS	The Brazilian equivalent of value added tax (VAT).
IFRS	The International Financial Reporting Standards as adopted by the European Union.
Integrity Management	A risk-based service supporting operators of subsea assets in the maintenance of their facilities.
International Energy Agency (IEA)	The IEA is an autonomous organisation which works to ensure reliable, affordable and clean energy for its member countries and beyond. The IEA's four main areas of focus are: energy security, economic development, environmental awareness, and engagement worldwide.
IOC	International Oil Company.
IRM	Inspection, Repair and Maintenance of subsea infrastructure.
i-Tech	A division of Subsea 7 that provides remotely operated vehicles and remote intervention tooling services to the global exploration and production industry.
ITP	ITP InTerPipe is a leading international producer of insulated pipelines.
J-lay	A pipelay method consisting of welding single lengths of steel pipe on board a pipelay vessel (into double, quadruple or hex joints) and lowering the double/quad/hex length of pipeline vertically either through the vessel's moonpool or over the side of the vessel to the seabed, then repeating the process.
LIBOR	London InterBank Offered Rate. A daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market.
Life-of-Field (LOF)	The term used to describe the range of subsea engineering, project management and execution services related to the delivery of integrity management, intervention and construction services that are required, to ensure that the life of a producing field is maintained, enhanced or extended (also sometimes referred to as IRM).
Local content	Local content is the policy that is used by national governments to create value in their local economy through ensuring that a percentage value of a contract is delivered through the use of local people, material resources and services.
Lost-time incident (LTI)	An incident which results in personnel being unable to work as the result of an injury.
Lump-sum contract	A contract in which the contractor is remunerated by the customer at a fixed lump-sum price which is deemed to include the contractor's costs, profit and contingency allowances for risks. Any over-run of costs experienced by the contractor arising from, for example, an over-run in schedule due to poor execution or increases in costs of goods and services procured from third parties, unless specifically agreed with the customer in the contract, is for the contractor's account.
NIBOR	The Norwegian InterBank Offered Rate. A daily rate based on the interest rates at which banks borrow unsecured funds from other banks in the Norwegian wholesale money market.
Nigerdock	Nigerdock Nigeria Plc – FZ.
Nigerstar 7	Nigerstar 7 Limited and Nigerstar 7 FZE.
NKT Flexibles	NKT Flexibles I/S.
NOC	National Oil Company.
NOK	Norwegian Krone, the lawful currency of Norway.
Non-Destructive Testing (NDT)	Techniques such as industrial radiography or ultrasonic scanning used for the verification of welds.
Normand Oceanic	Normand Oceanic AS and Normand Oceanic Chartering AS.
NSC	North Sea & Canada Territory.

Observation class	Remotely Operated Vehicles (ROVs) equipped with video recording systems for carrying out subsea inspection activities.
OECD	The Organisation for Economic Co-operation and Development.
Oslo Børs	Oslo Børs ASA, a regulated market for securities trading in Norway.
Performance share	Performance shares are awarded under the 2009 and 2013 Long-term Incentive Plans and cover approximately 150 senior employees. These shares vest after at least three years, subject to performance conditions.
Petrolog	Petrolog Group, an international oil service company.
PFC Energy	PFC Energy is a global consulting firm specialising in the oil and gas industry.
Pipe-in-Pipe	Pipe-in-Pipe is double-wall pipeline made of an inner pipe inserted into a protective carrier pipe. The annular space between the two pipes contains insulation material protected from the external pressure by the carrier pipe.
PLSV	Pipelay Support Vessel.
Post-salt	Post-salt environments consist of oil reservoirs that are found above the geological salt spanning from shallow to deepwater depths.
Pre-salt	Pre-salt environments consist of oil reservoirs that are found below the geological salt layer.
Remote intervention	Provision of tooling, sampling, repair and containment solutions and services, including engineering, project management, AIVs and ROVs and related tooling.
Renewables	Renewables or Offshore Renewables activity including the design and installation of offshore wind, tidal, wave and other related marine systems.
Restricted share	Restricted shares were awarded to certain employees of Subsea 7 Inc. 60% vested in June 2012 and 40% will vest in June 2014, subject to the employee remaining in employment.
Riser/Riser systems	A pipe through which liquid travels upward from the seabed to a surface production facility. Riser systems fall into two categories, those coupled directly to the host facility (SCRs), and un-coupled systems which in most cases are connected by flexible jumpers (HRTs/BSRs).
ROAIC	Return on Average Invested Capital. A key performance indicator for the Group which is used as a non-market performance measure in the 2013 Long-term Incentive Plan.
ROV(s)	Remotely Operated Vehicle(s).
SapuraAcergy	SapuraAcergy Assets Pte Limited and SapuraAcergy Sdn. Bhd.
Rystad Energy	An independent oil and gas consulting services and business intelligence data firm.
SCR	Steel Catenary Riser. A steel pipe configured in a catenary shape that conducts well fluids from the seabed to a floating production vessel.
Seaway Heavy Lifting	Seaway Heavy Lifting Holding Limited and its subsidiaries.
Setemares	Setemares Angola, Limitada.
Shares	Common shares of Subsea 7 S.A.
SIMAR	Sociedade Angolana De Inspeccao, Manutecao E Reparaco Maritima, Lda.
S-lay	A pipelay method consisting of continuously welding single lengths of steel pipe on board a pipelay vessel and feeding them in a horizontal manner typically over the stern of the vessel on a ramp (stinger) from where the pipe, under its own weight, forms an 'S'-shaped catenary as it is lowered to the seabed.
SLOR	Single line offset riser.
SMD	Soil Machine Dynamics Ltd, a manufacturer of remote intervention equipment.
Sonacergy	Sonacergy – Servicos E Construcoes Petroliferas Lda (Zona Franca Da Madeira).
Sonamet	Sonamet Industrial S.A.
Sonangol	Sociedade Nacional de Combustíveis de Angola, E.P.
Spoolbase	A shore-based facility used to facilitate continuous pipelaying for offshore oil and gas production. A spoolbase facility allows the welding of joints of pipe, predominantly steel pipe of 4" to 18" diameter, into predetermined lengths for spooling onto a reel-lay pipelay vessel.

Stinger	An adjustable stern-mounted structure used on vessels operating in S-lay pipelay mode to guide and support the welded pipeline down to the seabed.
Subsea 7	Subsea 7 S.A. and its subsidiaries.
Subsea 7 Inc.	Subsea 7 Inc., a company incorporated under the laws of the Cayman Islands registered number MC-115107 with registered offices at the offices of Maples Corporate Services Limited, PO Box 10718, George Town, Grand Cayman, KY1-1106, Cayman Islands.
Subsea 7 S.A.	Subsea 7 S.A. (formerly Acergy S.A.), a company incorporated under the laws of Luxembourg registered with the Registre de Commerce et des Sociétés in Luxembourg under number B 43 172 with a registered office at 412F, route d'Esch, L-2086, Luxembourg.
Subsea Field Development	The range of subsea engineering, design, project management, fabrication and installation services related to the development of new subsea oil and gas fields. The principal services relate to rigid and flexible pipelines, risers, umbilicals and associated construction activities.
Subsea 7 Malaysia	Subsea 7 Malaysia Sdn. Bhd.
SURF	Subsea Umbilicals, Risers and Flowlines, which includes infrastructure related to subsea trees or floating production platforms, regardless of water depth, such as pipelines, risers, umbilicals, moorings, and other subsea structures such as Pipeline End Manifolds and Pipeline End Terminations.
Technip Subsea 7	Technip Subsea 7 Asia Pacific BV, Technip Subsea 7 Asia Pacific UK Limited and Technip Subsea 7 Asia Pacific Singapore Pte Limited.
Tie-back	A connection between a new oil and gas discovery and an existing production facility, improving the economics of marginal fields into profitable assets.
Tight oil	Oil produced from relatively impermeable rock.
Tonnage tax	An optional tax regime for shipping companies offered by tax authorities including the UK and Norway.
Total Shareholder Return (TSR)	A measure to show the returns an investor would realise from holding shares in a company and is defined as (price at end of the year – price at beginning of the year) + dividend paid in year)/price at beginning of the year.
UK	The United Kingdom.
Umbilical	An assembly of hydraulic hoses, which can also include electrical cables or optic fibres, used to control subsea structures from an offshore platform or a floating vessel.
Unconventional	Reservoirs with very low permeability.
US	The United States of America.
Values	Subsea 7 has five Values which are embedded at all levels in the organisation and which guide our behaviours: Safety, Integrity, Innovation, Performance, and Collaboration.
Veripos	A former division of Subsea 7 that provides global positioning solutions offshore to DP3 standards which was spun-off in 2012.
VPS	Verdipapirsentralen, the Norwegian central securities depositary.
Work-class	Remotely Operated Vehicles (ROVs) equipped with tooling systems for carrying out subsea construction and remote intervention activities.
Year or 2013	The period of 12 months from 1 January 2013 to 31 December 2013.
$, USD or US Dollars	The lawful currency of the United States of America.
€	The lawful currency of those Member States of the European Union that adopted the single currency.

We operate one of the world's most versatile fleets comprising high-performance pipelay construction, remote intervention and diving support vessels.

See overleaf for our full range of vessels.

Get the latest investor information online: www.subsea7.com

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OUR WORLD-CLASS FLEET

Subsea 7 had 38 vessels in the active fleet and six vessels under construction as at 4 March 2014

Rigid Pipelay/Heavy Lift Vessels

Seven Borealis


Seven Oceans


Seven Navica


Seven Polaris


Diving Support Vessels

*Seven Falcon****


Seven Atlantic


Seven Pelican


Seven Discovery


Construction/Vertical Flex-lay Vessels

Seven Seas


Seven Pacific


Seven Eagle


Seven Mar


*Skandi Neptune*****


*Skandi Seven*****


*Normand Oceanic******


*Skandi Acergy*****


Construction/Horizontal Flex-lay Vessels

Seven Condor


*Simar Esperança***


*Normand Seven*****


Kommandor 3000


Life-of-Field/Light Construction Vessels

*Seven Viking******


Seven Petrel


*Acergy Viking*****


*Havila Subsea*****


*Normand Subsea*****


*Grant Candies*****


*Ross Candies*******


* Owned and operated by a joint venture
** Formerly the *Seven Sisters*
*** Formerly the *Seven Havila*
**** Long-term charter
***** Long-term charter from a vessel-owning joint venture
****** Call-out contract

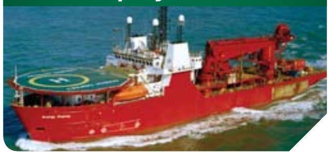
Seven Antares

Sapura 3000*

Oleg Strashnov*

Stanislav Yudin*

Seven Osprey



Rockwater 1

Rockwater 2

Seven Phoenix

Vessels under construction

Seven Arctic

Seven Kestrel

Seven Waves

PLSV

PLSV

PLSV

Subsea Viking****

Jack-up vessel

Seven Inagha

Trenching vessel

Skandi Skansen****

…and over 175 ROVs

Work class ROVs

Observation class ROVs

Drilling rig ROVs

www.subsea7.com