subsea 7

SUBSEA 7 S.A.

ANNUAL REPORT 2014

WHO WE ARE

Subsea 7 is a world-leading seabed-to-surface engineering, construction and services contractor to the offshore energy industry.

We provide cost-effective 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.

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.

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2014 Summary

Operational

- Strong execution of various large and technology-rich projects worldwide
- High project activity with global vessel utilisation of 82%
- Strategic investments in fleet renewal on schedule with the first of six new-build vessels, *Seven Waves*, operational in 2014
- Safe operations with 84% of vessels recording zero Lost Time Incidents
- Onshore asset investment saw reopening of spoolbase in Leith, Scotland, UK, and development of a logistics and fabrication yard in Takoradi, Ghana.

Financial

- Record revenue and Adjusted EBITDA driven by strong execution
- Solid backlog of $8.2 billion, of which $4.2 billion is for execution in 2015
- Robust liquidity position with low net debt and a new five-year revolving credit facility in place
- Cash dividend and share repurchase programmes enhanced returns to shareholders
- Impairment of the goodwill arising from the January 2011 Combination resulted in a non-cash charge of $1,183 million.

2014 Financial highlights

Revenue

$6,870m

(2013: $6,297m)

By Territory[1]

AFGOM	$2,464m
APME	$911m
BRAZIL	$954m
NSC	$2,533m
CORPORATE (CORP)	$8m

By market segment[2]

SURF	$5,303m
Conventional/Hook-up	$705m
Life of Field	$642m
i-Tech	$220m

Adjusted EBITDA[3]

$1,439m

(2013: $981m)

Net (loss)/income

$(381)m

(Including the goodwill impairment charge of $1.2 billion)
(2013: Net income $344m)[4]

Backlog

$8,239m

(2013: $11,770m)

By Territory

AFGOM	$2,131m
APME	$211m
BRAZIL	$3,427m
NSC	$2,470m

By year of execution

2015	$4,150m
2016	$1,690m
2017+	$2,399m

Cash and cash equivalents

$573m

(2013: $692m)[4]

Earnings per share (diluted)

$(1.02)[5]

(2013: $1.00 earnings per share)[4]

1. For definitions of Territories, refer to page 66.
2. For explanations of market segments, refer to page 4.
3. For explanations and reconciliations of Adjusted EBITDA, refer to page 105.
4. Re-presented due to reclassification of assets held for sale, refer to page 79.
5. Includes the goodwill impairment charge of $1,183 million. Adjusted diluted earnings per share excluding the goodwill impairment charge was $2.32.

For definition of terms refer to Glossary on pages 108 to 110.

Kristian Siem
Chairman

"We remain committed to investing in strategic capabilities and skills to ensure we can outperform the industry when the market recovers."

To the shareholders of Subsea 7 S.A.

Subsea 7 S.A. achieved record revenue and Adjusted EBITDA in 2014, driven by excellent project execution overall and rigour in risk management. Group revenue rose by 9% to $6.9 billion, while Adjusted EBITDA improved over the prior year to $1.4 billion, equivalent to 21% of revenue.

Net income amounted to $802 million or $2.32 per share excluding the impact of the goodwill impairment charge of $1.2 billion recorded in the fourth quarter. This impairment charge was a non-cash item and gave rise to a net loss of $381 million. It was largely driven by a reassessment of the near-term prospects for the Group following the recent significant drop in the price of oil.

Our strong underlying performance is largely attributable to the expertise and commitment of our project and vessel management and engineering teams, both onshore and offshore, as the focus on safe and efficient execution of our order backlog continued to be a priority during the year.

A further driver underpinning our good results was proactive management of our costs and the implementation of a series of business improvement initiatives to deliver efficiencies at every level of the organisation.

Our strategic investment in the renewal of our fleet with globally mobile, versatile vessels proceeded well in 2014 and is expected to be fully completed in 2016, on schedule and within cost targets. Four of the six new-build vessels are flexible Pipelay Support Vessels (PLSVs) and will operate under long-term, firm contracts in Brazil.

Ready to face the expected cyclical downturn

We identified a softening of the market in late 2013 with a reduction in the number of projects being sanctioned around the world as our clients sought to reduce their costs by cutting capital expenditure plans for field development. This trend continued throughout 2014 and was exacerbated by a collapse in the price of oil attributable mainly to a sluggish growth in global demand for hydrocarbons and rising shale production in the USA. This fall in the oil price has introduced a new period of uncertainty for the subsea sector.

In this context, our Management Team has made good progress during 2014 in taking the necessary actions to address the market downturn. This focus will continue in 2015 as efficiency improvement and cost reduction will be key priorities to remain competitive in everything we do.

Subsea 7 recognises the pressure on project expenditure that the industry faces around the world as the costs of deepwater exploration challenge the economics of oil production. We intend to be at the forefront of helping to reduce our clients' costs by contributing to industry standardisation, developing fit-for-purpose solutions and driving efficiency. We are working closely with clients and suppliers to offer better solutions. Early engagement with our clients is the key to lowering the overall cost of field developments as this will optimise front-end design and project engineering, streamline procurement and enable the application of appropriate new cost-reducing technologies. This broader, collaborative approach to addressing all cost, technical and risk elements of a complex oilfield project can be achieved and still ensure all parties' long-term interests are protected.

While it is difficult to predict the evolution of the oil price or how long this downturn will last, I am confident that the medium- and long-term fundamentals of global oil and gas demand remain strong. These will continue to drive capital investment to develop new oil and gas reserves and ensure that deepwater oil and gas production remains a significant market with long-term growth potential.

For this reason, our focus on competitiveness is not driven by short-term cost base considerations alone. We remain committed to investing in critical capabilities and skills. This will maintain our core expertise and ensure we can outperform the industry in providing our clients with engineering and technological solutions which will meet their need for safe, cost-efficient operations in deepwater and harsh environments when the market recovers.

We are also continuing to invest in the development, adoption and application of enabling technologies which will provide a step-change in productivity, cost reduction and efficiency for our clients. We have advanced pipeline, riser system and remote intervention technologies which are already proving to be game-changing for deepwater production.

It is our sustained investment in expertise and technical know-how through our people and our core strengths of engineering, project management, supply chain and vessel management that enable us to define, develop and apply these critical new capabilities and which make us a top tier player today. These core strengths, combined with high-specification assets, are what will drive our outperformance and enable us to secure opportunities when the market improves.

Living our values

Above all, our clients value Subsea 7's commitment to ensuring our people and our contractors conduct business with integrity and that we apply the highest standards to everything we do.

I am proud of Subsea 7's track record in acting responsibly in all of our operational environments, onshore and offshore, around the globe. We aim to set the benchmark for safety in our industry and be recognised as a responsible and reliable partner for our clients. Minimising our impact on the environment and investing in the communities where we operate to support local development are central to our approach.

Returns to shareholders

We took various steps in 2014 to return cash to shareholders and reduce the risk of future earnings dilution. During the year the Group paid a dividend equivalent to $195 million. This was distributed while funding our vessel construction programme using available liquidity and cash generated from operations.

The Group re-purchased 10.5 million shares at a cost of $157 million and $82 million of the $700 million 2017 convertible bonds. The $275 million 2014 convertible bonds matured in October and $261 million were redeemed for cash.

In view of the challenges facing the oil and gas industry in the near to medium-term, and in order to preserve the Group's financial flexibility so that it can benefit from opportunities that may arise during the downturn, the Board of Directors has recommended to the shareholders of Subsea 7 S.A that no dividend be paid in respect of 2014.

We will continue to remain disciplined in our approach to investments and project risk management, and always with shareholder value in mind.

My thanks

On behalf of the Board, I would like to thank our shareholders and our clients for their confidence and continued support.

To all our employees and business partners, I would like to extend our thanks and appreciation for your continued contribution to the success of the Company during a time of significant change in our industry.

Kristian Siem
Chairman

We focus on 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

Core

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, with clients packaging their scopes of work into larger Engineering, Procurement, Installation and Commissioning (EPIC) frameworks.

We are a global market leader in this sector and in every major offshore region we safely execute projects which connect seabed wellhead infrastructures to surface facilities such as platforms and floating production systems.

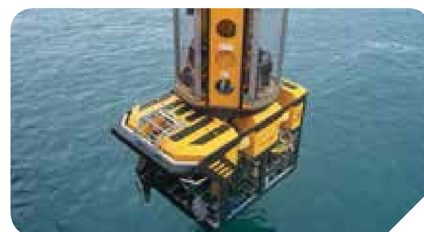
Life of Field

Operators are working increasingly closely with experienced specialist contractors to improve the full lifecycle reliability of subsea infrastructures.

With over 30 years' experience in Life of Field, we are an acknowledged world leader in this growing, long-term market.

We provide global integrity management, survey, inspection, repair and maintenance (IRM) and field extension services, drawing on our pioneering development and application of key Life of Field technologies and assets.

Complementary



ROV and Remote Intervention

Our i-Tech Division is a leading global provider of subsea intervention support to offshore drilling rigs and construction vessels. Building on a strong track record of product innovation, operational experience and safety performance, i-Tech operates one of the largest and most technologically advanced fleets of Remotely Operated Vehicles (ROVs) in the subsea energy industry.

i-Tech has a market-leading position in Brazil, a worldwide operational capability and a growing presence in regions with emerging deepwater operations.

Conventional

We operate in shallow water environments, mainly in West Africa and Mexico, supporting our clients in the fabrication, installation and refurbishment of fixed platforms and associated pipelines.

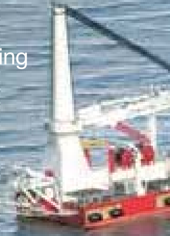
Hook-up

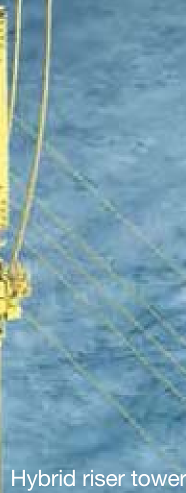
Hook-up comprises the installation of modules on new platforms and the refurbishment of topsides of existing fixed and floating production facilities. We are well positioned to grow in this segment due to our capability and experience in the Conventional and SURF sectors. West Africa is our core market for Hook-up services.

Renewables, Heavy Lifting and Decommissioning

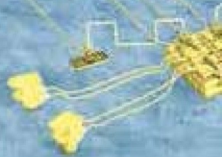
Our joint venture Seaway Heavy Lifting (SHL) operates two world-class heavy lift vessels and is active in three specialist segments of the offshore energy market: the installation of offshore wind turbines, structures and substations; the transport and installation of large offshore oil and gas structures; and the decommissioning of redundant offshore structures.

WHAT WE DO: OUR ACTIVITIES





ROV and Remote Intervention
Exploration and drilling support delivered through our i-Tech Division.



Conventional
The fabrication and installation of fixed platforms and associated pipelines.
Pipeline, PLET, spool and jumper fabrication
J-lay installation
Reel-lay installation
Diving services
ROV – Inspection, survey and construction
Life of Field
The inspection, maintenance, repair and integrity management of subsea infrastructure.
SURF
The engineering, procurement, installation and commissioning of subsea umbilicals, risers, flowlines and structures.

Pipeline production: Engineering, welding, fabrication, production expertise and infrastructure.

Engineering and Project Management: Local expertise, integrated through global networks, to support all segments of our business.

Platform and topside installation and removal

Offshore wind turbine installation

Hook-up
The addition of modules on new platforms and the refurbishment of topsides of existing, fixed and floating platforms.

Renewables, Heavy Lifting and Decommissioning
Delivered through our joint venture, Seaway Heavy Lifting.

Bundle-lay installation

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Our activities

Subsea 7 is a global leader in the provision of seabed-to-surface engineering, construction and offshore installation services to the 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
  - Inspection, Repair and Maintenance (IRM)
  - Integrity management
  - Remote intervention
  - Diving
- Fabrication
- Fleet provision
- Remotely Operated Vehicles (ROVs)
- Intervention and drilling support

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 (ROVs)
- Heavy lift
  - Up to 5,000 tonnes

Technology

- Riser Systems
  - Single and Hybrid Riser Towers (HRTs)
  - Steel Catenary Risers (SCRs)
  - Buoy-Supported Risers (BSRs)
  - Grouped Single Line Offset Risers (SLORs)
- Pipelines
  - Bundles
  - Pipe-in-Pipe (PIP)
  - Electrically Trace Heated PIP
- Materials and welding
  - High-strength steel
  - Corrosion-resistant alloys (BuBi®)
  - Composites
- Remote intervention
  - Autonomous Inspection Vehicles (AIVs)
  - Sensors

Lift fold to see more detail on our activities

See Glossary on pages 108-110 for definitions of terms.

We operate worldwide and in all deepwater offshore markets.

Our global footprint, combined with the technical expertise of our people, our technology and world-class assets, both on and offshore, enables us to adapt these capabilities to deliver subsea engineering services worldwide.

St John's

Houston

Port Isabel

Ciudad del Carmen

Ubu

Macaé

Rio das Ostras

Niterói

Rio de Janeiro

Global operations

Total workforce

13,000

Engineers

2,000

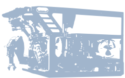
Vessels

39

+ 5 vessels under construction

ROVs

175



Global offices

26

Spoolbase / fabrication / operational support yards

16

Key

- Corporate/support offices
- Offices
- Operational support yard
- Spoolbase
- Fabrication yard

Stavanger
Dusavik
Tromsø
Aberdeen
Wick
Kristiansund
Vigra
Oslo
Glasgow
Leith
Grimstad
London
Luxembourg
Paris
Lisbon
Cairo
Sharjah
Takoradi
Warri
Lagos
Port Harcourt
Kuala Lumpur
Singapore
Port Gentil
Pointe Noire
Jakarta
Luanda
Lobito
Maputo
Perth

CHIEF EXECUTIVE OFFICER'S REVIEW

Jean Cahuzac
Chief Executive Officer

"We have revised our structure to improve delivery of our strategic priorities, and streamlined for the present downturn."

Reflecting on our 2014 performance

In 2014, Subsea 7 delivered solid financial results with record revenues and Adjusted EBITDA and significantly improved net operating income of $930 million before deducting a charge of $1.2 billion for the impairment of goodwill.

These results reflect the successful completion of several significant projects across all our Territories, high vessel utilisation and constant focus on safe and efficient service delivery for our clients, demonstrating our expertise in managing and executing projects worldwide.

In the Africa, Gulf of Mexico and Mediterranean (AFGOM) and North Sea & Canada (NSC) Territories, revenues were marginally higher than in 2013. Net operating income in NSC, excluding the goodwill impairment, improved 7% compared to 2013, due mainly to the successful completion of various projects during the year. In AFGOM, net operating income, excluding the goodwill impairment, was $100 million below the prior year with good execution in West Africa offset by higher costs on certain projects in the Gulf of Mexico. Revenue in our Asia Pacific and Middle East (APME) Territory was largely driven by the execution of the Gorgon project offshore Australia while net operating income increased 5% over the prior year. In Brazil, revenue increased by 17% and we achieved a major turnaround in profitability. This was driven by higher PLSV activity and new contract pricing and the successful execution of the offshore installation phase of the Guará-Lula NE project.

Our strong overall result was achieved against a backdrop of a progressive deterioration in business conditions during 2014. The pace of the market slowdown that we had identified in 2013 accelerated during the course of the year as our clients postponed projects and discretionary work. This led to our backlog decreasing to $8.2 billion at the end of 2014 from the record $11.8 billion achieved in 2013.

Notwithstanding the market slowdown, good project execution, focus on working capital optimisation and cost reduction initiatives enabled us to generate $1.4 billion in cash from operating activities and we ended the year with a robust financial position.

Capital expenditure amounted to $861 million as we progressed our vessel renewal programme, scheduled to be completed in 2016. *Seven Waves*, the first of four flexible Pipelay Support Vessels (PLSVs) under long-term day-rate contracts in Brazil, was delivered from the shipyard ahead of schedule and commenced operations in the second quarter. The construction of the remaining three PLSVs is proceeding to plan. The new Diving Support Vessel (DSV), *Seven Kestrel*, and state-of-the-art Heavy Construction Vessel (HCV), *Seven Arctic*, are scheduled to start operations in the North Sea in 2016 where they will replace older units or chartered vessels.

The capability and versatility of our fleet continue to position us as one of a limited number of contractors capable of delivering the full range of challenging SURF pipeline and riser systems.

Key priorities in a more challenging market

The market environment changed significantly during the course of the year. In addition to the deferment of spending by our clients, we saw the market further weakened by the oil price collapse, with the price of Brent oil almost halving from its peak of $115/bbl in June to $57/bbl by year-end. These developments served to accelerate a global trend among oil companies to postpone projects, especially in the latter half of 2014.

In the first half, we secured contracts including the Catcher project offshore UK, a range of awards in the US Gulf of Mexico and the Baobab project offshore Ivory Coast as well as a number of smaller awards primarily in our AFGOM and NSC Territories. In the third and fourth quarters, we experienced lower order intake as market conditions became steadily worse with a number of prime SURF contracts deferred, mainly in Norway, West Africa and in South-East Asia.

We took steps in early 2014 to prepare the Company for this downturn, including implementing cost reduction measures and other efficiency improvements. In particular, we restructured some of our operations, notably in Brazil and Norway, in order to align the business more closely with market conditions.

New organisational structure

Beyond these short-term restructuring measures, we refocused our business around our core market segments and streamlined our operating model to enhance delivery of our strategic priorities.

Under a new organisational structure, which came into effect on 1 January 2015, we have regrouped the Brazil and APME Territories and our operations in Africa into one Business Unit and centralised our major projects teams into Global Projects Centres. These Global Projects Centres will enable us to optimise our management of large, complex, technology-rich projects, and apply cost-reducing new technology consistently wherever we operate. This approach means we can optimise our in-country resources and improve our flexibility in how we manage projects for our clients.

This newly-formed Southern Hemisphere and Global Projects Business Unit is one reporting entity, while a second Business Unit, Northern Hemisphere and Life of Field, combines the UK, Canada and Norway with the Gulf of Mexico and the i-Tech Division. This second Business Unit also incorporates a separately managed Life of Field business line. As a leading Life of Field contractor, this structure will enable us to take a global approach to this important market segment.

This new organisational structure will drive improved project management and service delivery and enhance competitiveness through a more channelled allocation of our resources and capabilities.

Focus on our strategic differentiators

In particular, the new structure will enable us to optimise our technical and operational know-how, one of our key differentiators.

It enables us not only to provide the most efficient and reliable service delivery to our clients, but also to propose innovative solutions, including enabling technologies, to lower the cost of their developments in deepwater and challenging environments.

The successful field implementation of a number of our market-leading technologies was achieved in 2014. Our innovative cost-effective riser design and reeled corrosion-resistant pipe on Guará-Lula in Brazil, high-performance insulated Pipe-in-Pipe (PIP) on CLOV in Angola, reeled mechanical-lined BuBi® corrosion-resistant pipeline on Aasta Hansteen in Norway and bundled pipelines (Bundles) in the UK and Norway underpinned these important projects.

The new business structure will similarly support our continued focus on developing and investing in our core strengths of engineering, project management, supply chain and vessel management, leveraging our global know-how and our local delivery in the major offshore energy regions around the world.

Market outlook

Our market remains cyclical. In 2015, I expect our clients' spending to continue to remain under pressure and we will continue to adjust our resources accordingly while maintaining our focus on project execution and effective risk management.

We will continue our proactive management of our cost base, which combined with our strong balance sheet and disciplined investment in our expertise, technology and assets will mean we are well positioned when the market emerges from the downturn.

Deepwater oil reserves remain a fundamental component of energy supply and our project management and engineering expertise and experience combined with our technology portfolio are the key to helping our clients unlock these reserves in a way which makes the price of extraction more cost-effective. We look forward to working more closely with our clients and with the industry to help lower the overall costs of field developments.

In conclusion, I wish to thank our clients for their continued support and confidence, as well as our people around the world. Our people have in 2014 again demonstrated outstanding performance, dedication and commitment.

Jean Cahuzac
Chief Executive Officer

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

The offshore subsea market is expected to continue to expand in the long term to meet the challenges of increasing global energy demands.

Our strong track record has given us competitive strengths, people with high levels of industry expertise and know-how, market-driven cost-reducing technologies, high-performing assets and the financial strength required to execute offshore engineering projects safely and effectively.

We differentiate ourselves by delivering high-quality services 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 worldwide.

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

Our business model and operational structure are closely aligned with the needs of our clients. We deliver our services to the global offshore energy industry through strategically located regional offices, local project management and engineering centres and one of the world's most capable and versatile vessel fleets. In major oil and gas regions, we have invested in establishing local pipeline spoolbases and fabrication and operational support yards.

This structure enables Subsea 7 to respond quickly to local client needs, while leveraging the full strength of our global resources and know-how. This unique capability ensures Subsea 7 is able to effectively execute projects of varying size and complexity worldwide. It enables us to work closely with our clients to understand their plans and develop technologies and project management and engineering skills to meet their evolving requirements.

We continue to invest in our local presence in major energy regions worldwide. We establish 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 local infrastructure. Through this investment, we develop and embed local capability and support an effective local supply chain.

We develop long-term relationships with high-quality and reliable suppliers or joint venture partners, and work with them to ensure they meet our high standards of service and ethical behaviour and comply with our health, safety, security and environmental policies.

People

Project delivery based on our expertise and know-how

At Subsea 7 we believe that our diverse and mobile global pool of skilled people is a key differentiator in our sector. Our clients rely on our in-house resources to execute challenging projects safely and efficiently, and manage risk effectively.

We employ more than 13,000 people in 25 countries, onshore and offshore, including some of the most experienced and capable talent pools of specialist engineers and project managers. With over 100 different nationalities working throughout the Group, we think globally and deliver locally.

We share our resident expertise effectively through team building, embedding global knowledge-sharing networks and systems and investing in a wide range of learning and development programmes.

For more details see page 14

Technology

Developing market-driven and cost-effective solutions

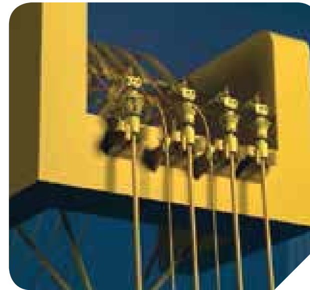
As subsea production moves into deeper waters and harsher environments, the industry is increasingly reliant on new enabling and cost-reducing technologies.

Subsea 7 has a long track record of successfully identifying market needs to develop effective technologies that meet clients' key drivers of safety, productivity, schedule and cost.

We work closely with clients, suppliers and partners to develop and apply innovative solutions, drawing on our extensive portfolio of field-proven technologies and our capability in managing the risk exposure of new technologies.

Drawing on decades of experience, our technical know-how and ability to apply technology are key differentiators in our industry.

For more details see page 15



Assets

A diverse fleet of vessels and strategically positioned global assets

Subsea 7 is committed to operating a flexible, high-performance fleet of vessels, capable of executing challenging subsea projects anywhere in the world.

The fleet has at its core ten world-class global enablers, vessels of exceptional size and versatility, capable of all pipelay and heavy construction operations worldwide, and specialised vessels that provide regional market capabilities in pipelay, construction, remote intervention and diving support operations.

Our track record of commissioning, crewing and operating this world-leading fleet, including the management of new vessel construction, is a key differentiator in our market.

We also support our global operations with onshore investment in strategically located fabrication yards, spoolbases, project offices and other facilities.

For more details see page 17

Local presence

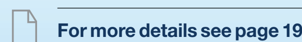
Building local businesses and embedding local capability

In all our major operating locations, we aim to build local businesses founded on local leadership, high-quality in-country personnel and support for regional supply chains. We develop this in-country expertise both to deliver responsive support to our clients and to contribute to local economies and communities.

We invest in the development of local talented personnel, which not only benefits local economies but also enhances our global skills pool.

Our commitment to building a strong local presence extends to sharing our project management and engineering experience and know-how, global assets and technology with a number of joint venture partners around the world.

Our ability to think globally and deliver locally is a major differentiator in our market.



For more details see page 19

OUR DIFFERENTIATORS

People

Project delivery based on our expertise and know-how

As subsea engineering and construction projects become ever more complex, having skilled, experienced engineers, project managers, and onshore and offshore construction and support staff is the key to ensuring safe and reliable delivery.

As an organisation with a wide range of disciplines, roles and locations, we encourage internal mobility and offer our people the opportunity to develop international careers that greatly broaden their experience.

To maintain a skilled and motivated workforce, we invest in recruiting and training high-calibre people before focusing on their continuous long-term professional development.

In order to achieve this we have a number of initiatives in place, including the Subsea 7 Career Development Plan and Development Schemes, Graduate and Conversion programmes, and our Leading 7 and Academy 7 talent development programmes.

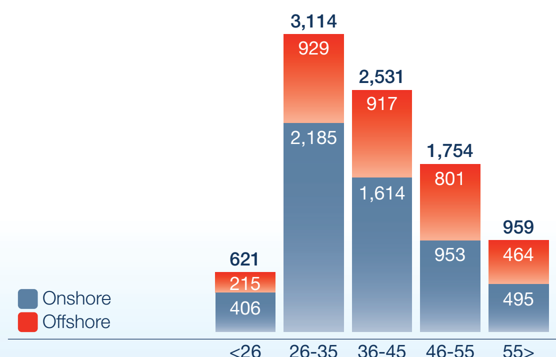
The Development Schemes outline capability frameworks for all roles within the Group and show what action is required to achieve target career progression.

As well as wide-ranging training opportunities for our onshore personnel, we also deliver professional training for our offshore personnel to address their career needs.

Developing our people in 2014

Our two-year global Graduate Engineering Development Scheme is the start of a programme which can provide engineers with the training needed to become 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.

Employee breakdown by age



We employ and develop high-quality engineers

Our Commercial Graduate Development Scheme includes participants from Australia, Brazil, France, the UK and the USA, and offers focused learning in our Sales and Marketing, Project Services and Supply Chain Management functions.

In 2014, the Graduate and Conversion programmes attracted 130 high-calibre trainees from 22 countries into the Group.

Our Managing Project Complexity programme, launched in 2014 by the Academy 7 team, has been customised for Subsea 7 by our partner, Cranfield University, and provides an opportunity for our experienced project managers to think more effectively about managing projects. Primary objectives include developing the commercial and negotiating knowledge of our engineers and project managers, helping them to identify and explore risk and developing their understanding of the link between reputation and customer experience and the impact their behaviours and engagement with key stakeholders can have. In 2014, 44 of our senior project managers participated in this new module.

A further programme included specialist training for 40 of our Supply Chain Management (SCM) team to develop a better understanding of how the supply chain fits into the wider project management picture, and how proactive engagement and accountability can contribute positively to projects and their delivery to clients.

Leading 7 was also launched during 2014 to deliver tailored learning and development with a strategic focus for the Company's leadership.

Subsea 7 recognises the benefit of having a globally diverse employee base. Our workforce comprises 103 nationalities across 25 countries.

As well as high nationality diversity, we are also focused on continually improving our gender balance to ensure we are able to recruit the best candidates from the global talent pool. Women make up almost 17% of our global workforce and, through our Women in Business programme, we aim to support their career development throughout our global operations.

Technology

Developing market-driven and cost-effective solutions

Technology is becoming ever more important in the development of new offshore oil and gas fields, and in extending the life of existing infrastructure.

Subsea 7 is experienced in the development, commercialisation and application of technologies which reduce cost and improve production and recovery levels.

Our strategy is consistently to differentiate ourselves by evaluating market needs to ensure we maintain our strong track record of investing in and adopting new technologies which provide a step-change in subsea operations for our clients.

We have a number of strategic technology programmes in place, focusing on deepwater riser systems, pipeline and flowline systems, Bundles, subsea processing, Life of Field and remote intervention. These are managed by acknowledged technical experts who work with our clients and key suppliers to steer the direction of research and help develop industry-leading technologies. We own a substantial Intellectual Property portfolio and lead our industry sector with one of the largest and most recent group of patents in the SURF and Life of Field markets.

Pipelines, flowlines and Bundles

New deepwater fields rely on advances in pipeline and flowline technology to overcome challenges of higher operating temperatures and pressures, enhanced pipeline life expectancies, flow assurance and the transportation of corrosive fluids.

To help prevent the formation of hydrates or waxing within deepwater pipeline infrastructures, we work collaboratively with technology partners such as InTerPipe (ITP) and with key clients to develop pioneering deepwater subsea fields incorporating Electrically Trace-Heated Pipe-in-Pipe (ETHP) technology. Our EHTP technology offers the best available thermal insulation and most energy-efficient system on the market today, and, when fully developed, enables longer tie-backs to be achieved at lower cost.

In 2014, we successfully designed and installed a high-performance passive insulation PIP pipeline around 40km long in 1,400m of water depth on the CLOV deepwater development offshore Angola, deploying our flagship pipelay/heavy-lift vessel *Seven Borealis*.

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 system which is pre-assembled onshore before being towed to site.

In the last 30 years, we have designed, fabricated and installed over 75 Bundles from our production facilities at Wick, in Scotland, UK. The Bundle has proved to be a successful cost-reducing solution for many field developments and has significant future potential for seabed processing.

Another field-proven cost-reducing proprietary technology is BuBi® mechanical lined pipe, developed as a cost-effective corrosion-resistant alternative to solid alloys and metallurgically clad pipe.

BuBi® pipe was collaboratively developed with technology partner BUTTING, and has been installed in a number of challenging deepwater developments, including the current Aasta Hansteen project for Statoil in the Norwegian Sea.

Associated technology – welding

Advanced welding techniques are a critical element in new pipeline technology initiatives, and our integrated development facilities and technical know-how give us a significant advantage in our market.

Our Pipeline Production Team develops a wide range of advanced simulated automatic welding and Non-Destructive Testing (NDT) inspection processes for rigid pipeline production.

A Global Pipeline Welding Development Centre in Glasgow, Scotland, UK, simulates production environments for rigid-reel, J-lay and S-lay operations, delivering realistic pre-production welding trials and operator training. This enables us to develop enhanced automatic welding control programmes for our fabrication bases, resulting in improved welding performance.

Riser systems

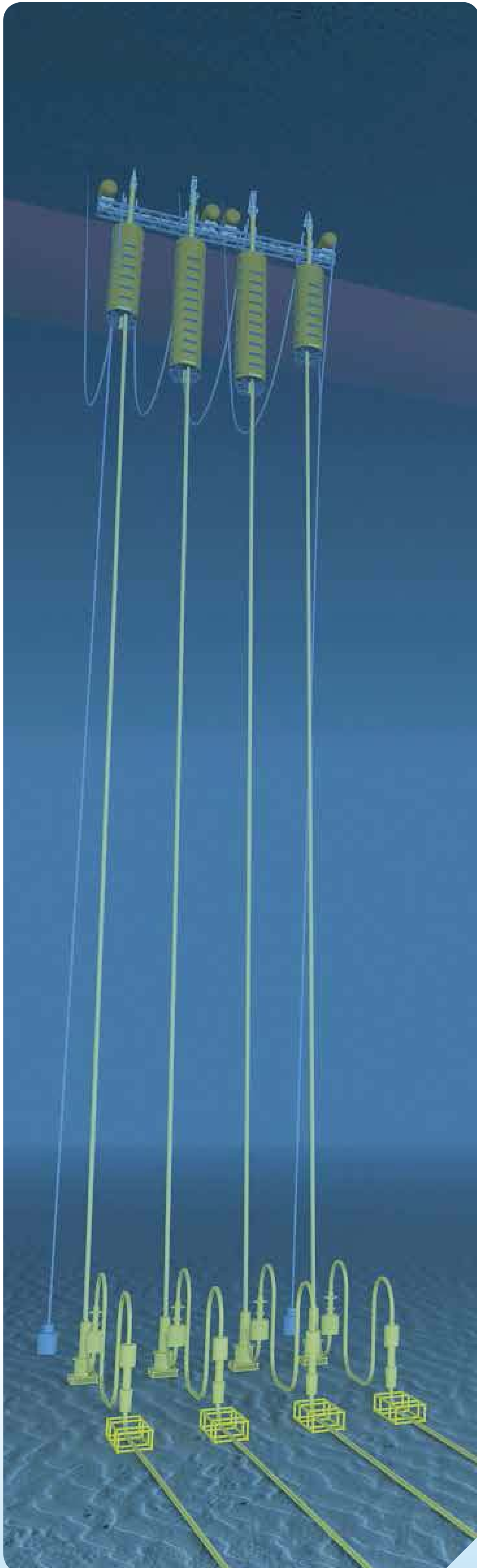
Subsea 7 is a pioneer in the development of riser concepts to meet a wide range of specific field characteristics, including water depth, environmental conditions, host specification, hydrocarbon composition and client preferences.

The continuous development of our riser technology is of strategic value to our clients as it enables them cost-effectively to meet the ever-increasing challenges of deepwater and harsh environments.

The Hybrid Riser Tower (HRT) concept is an effective riser system with significant benefits for deepwater riser applications in terms of flow assurance, thermal performance and robustness of layout. Two high-performance HRTs were installed by Subsea 7 on the CLOV project offshore Angola in January 2014.

Risers configured in a catenary shape (Steel Catenary Risers – SCRs) continue to be used by various operators. Our track record includes the innovative lazy-wave SCRs deployed on the BC-10 project offshore Brazil and our development programme includes improved welding techniques to meet onerous fatigue requirements and system optimisation by a combination of weight and buoyancy distribution.

One of the four Buoy-Supported Risers (BSRs) now installed and operational on the Guará-Lula NE SURF project in Brazil



Hybrid Riser Towers have significant benefits for deepwater applications like the CLOV project offshore Angola

Another effective riser system is the Buoy-Supported Riser (BSR), based on 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 of the SCRs from the FPSO results in less onerous fatigue requirements. Our BSR technology was successfully pioneered during 2014 on the large Guará-Lula NE project in Brazil for Petrobras.

Subsea 7 has recently added a further riser concept to our portfolio for field development in deep and ultra-deep waters: the Tethered Catenary Riser (TCR). The TCR consists of a number of Steel Catenary Risers supported by a subsurface buoy tethered to the seabed. The components of the TCR are all field-proven and commonly used in existing riser systems, making this a highly cost-effective option for deep and ultra-deepwater environments.

Growing demand for increased corrosion resistance, high-pressure capacity requirements and fatigue life are driving the adoption of new materials in risers, and Subsea 7 is developing the use of high-strength steels and composite materials for next-generation riser design.

Remote intervention

The growing challenge posed by deepwater subsea system architecture and the need for Life of Field maintenance demand reliable, high-technology remote intervention solutions. Advances in autonomous vehicles, ROV tooling, and scanning and visual monitoring technologies extend field life, increase production uptime and reduce operating costs.

We have been pioneering the development of ROVs, tooling, inspection and repair technology for over 30 years.

Our specialist division for intervention technology, i-Tech, introduced its new-generation ROV system, the Centurion SP, into the market in 2014. Designed for deepwater operations, this ROV is smaller, lighter and more powerful than other units available today, with a more compact handling system. These characteristics are important when space on board a rig or a vessel may be at a premium.

The ROV has an advanced sonar-based auto-tracking capability which reduces the workload of the ROV pilot technician and produces higher-quality data collection for pipeline inspections. Its faster speeds also produce cost savings through reduced host vessel time.

Subsea 7 is also pioneering an Autonomous Inspection Vehicle (AIV) system for future tether-free inspections of risers, pipelines and seabed equipment.

A further development is an ROV-deployed Hydrocarbon Sampling Skid that allows sampling from live production wells with zero emissions to the environment while maintaining full production. Hydrocarbon samples are used to determine fluid chemistry to enable calibration of subsea flowmeters and potential fiscal allocations.

We are developing dedicated inspection systems to verify the integrity of subsea systems such as rigid risers and FPSO anchor chain assemblies. These systems will provide an early warning of potential issues, allowing planned maintenance and repair and avoiding the risk of production shutdown.

Assets

A diverse fleet of vessels and strategically positioned global assets

The requirement to execute projects of varying size and complexity around the world requires a strategic combination of offshore and onshore assets. Our fleet of vessels and Remotely Operated Vehicles (ROVs), combined with bases and yards in the primary offshore regions, allow us to deploy the appropriate scale and mix of resource to meet our clients' requirements.

Fleet capability

The scale and complexity of projects within the offshore subsea market continue to expand 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.

We have anticipated this demand and invested in a market-leading fleet which gives us significant capability on both single-vessel and multiple-vessel deployment projects.

Our strategic investment in globally mobile vessels allows us to undertake challenging installation and construction projects on a worldwide basis. Our fleet includes high-performing global pipelay and heavy construction vessels and versatile support ships for flex-lay, light construction and diving and remote intervention activities.

Our in-house Strategy and Technology and Asset Development teams are experienced in identifying and anticipating client needs in terms of vessel performance. They work with our vessel construction and equipment partners on the design of new vessels with outstanding versatility.

Subsea 7 has consistently delivered these assets on time and to budget.

Each vessel's 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 Sea, Brazil, West Africa and the Gulf of Mexico.

Our support vessels are carefully sourced, with a focus on chartering tonnage to allow flexibility to adjust the fleet composition when there is a market downturn.

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

The most recent addition to the fleet is the *Seven Waves* Pipelay Support Vessel (PLSV), which entered service in Brazil in 2014. Three additional PLSVs, *Seven Rio*, *Seven Cruzeiro* and *Seven Sun*, are also under construction for the Brazilian market and due for delivery in 2015 and 2016. Two further additions to the fleet include our eighth Diving Support Vessel (DSV), *Seven Kestrel*, which is due to join the fleet in 2015 and our Heavy Construction Vessel (HCV), *Seven Arctic*, under construction for service in 2016.

Seven Arctic is designed in response to demand for larger vessels with higher capabilities to execute complex projects more quickly and cost-effectively in deepwater and harsh environments.

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 business.

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

This ability to deliver tailored solutions comes from a track record and in-house expertise and knowledge developed over more than 35 years in the offshore oil and gas industry. We are able to respond efficiently to client requirements with fit-for-purpose solutions, and accommodate altered work scopes when required to avoid downtime.

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.

The *Seven Waves* Pipelay Support Vessel was designed for the Brazilian market and entered service with Petrobras in May 2014

The new-generation i-Tech Centurion SP2 Remotely Operated Vehicle (ROV) is smaller and lighter than other units

Remote intervention

Our asset base also includes a significant fleet of 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 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.

Onshore asset base

To support our global operations, we have invested in an infrastructure of strategically located pipeline spoolbases, fabrication and operational support yards.

In Nigeria, our Warri fabrication yard is a key asset which enables us to manage our offshore schedules effectively through timely delivery of subsea elements fabricated in-country. With a working area of over 10,000 sq.m and well-established welding capabilities, Warri is one of the most extensive fabrication facilities in the region.

Other key assets in West Africa include our Lobito fabrication yard and Luanda spoolbase, both in Angola. Owned by our joint venture partner, Sonamet, the Lobito yard is one of the largest in Africa and includes a dedicated facility for constructing deep offshore structures from complex manifolds to Bundle riser towers. Our Luanda base is strategically located close to the main fields and has a dedicated spoolbase. In 2014, we continued our development of a new logistics and fabrication facility in Takoradi, Ghana.

Other key onshore assets include dedicated pipe spool yards to service our reel-lay pipelay vessels in Ubu, Brazil, and Vigra in Norway. At Port Isabel, located close to the border between the USA and Mexico, we operate a 234,000 sq.m spoolbase to service the deepwater Gulf of Mexico market. Our spoolbase in Leith, Scotland, UK, was redeveloped in 2014 to support tie-back projects in the North Sea.

In Wick, Scotland, UK, we have a world-leading and long-established facility manufacturing pipeline Bundles.

In Asia Pacific, our Loyang operational base in Singapore is the focal mobilisation and demobilisation point for our projects in the region.

At 3,700m, our Vigra spoolbase in Norway is the world's longest

Local presence

Building local businesses and embedding local capability

Subsea 7 is an established local company in the world's primary offshore energy regions. Creating local businesses that contribute to the community and environment is a key differentiator and central to our long-term strategy. For our clients it ensures we have an in-country leadership team and capability to respond to their needs.

Wherever we operate, we aim to grow our local presence and supply chain. If appropriate, we enter into strategic partnerships and local joint ventures.

In Africa, we have a 40-year track record of continuous investment in Nigeria with our fabrication yard in Warri and offices in Lagos. We have a joint venture, Global Ocean Engineering, in partnership with Nigeria's Petrolog Group. In addition, we operate NigerStar 7, a joint venture with Nigerdock, West Africa's leading oil and gas construction and services company. We have developed facilities in Angola through our joint venture company, Sonamet, which we jointly own with the national oil company, Sonangol. Our fabrication yard in Lobito supported the CLOV project. We also operate a spoolbase in Luanda.

Our presence in the region also includes operations in Ghana, Gabon and Congo. In Ghana, redevelopment of a local fabrication facility at Takoradi commenced in 2014 to support fabrication of subsea equipment for the Tullow TEN Development Project. Logistics and engineering support, including heavy loadout capabilities at the adjacent Takoradi quay, is being developed. Technology transfer will include specialised welding processes, heavy rigging, marine loading, heavy plate rolling, sea-fastening, behavioural safety processes, process safety systems, procurement, specialised engineering, design, and project management with a high percentage of local content.

In Brazil, we have a substantial local presence, both in Rio de Janeiro and Niteroi. In 2014, we combined these operations into a 12,900 sq.m complex in Rio de Janeiro. We have retained the Niteroi site and its quayside facility as a local operations base. The Ubu base in Espírito Santo and operational facilities in Macaé and Rio das Ostras, including our i-Tech Division's facility, also supported our offshore projects in 2014. With recent investment in a fleet of new PLSVs, we are recognised as having a significant long-term local presence in the Brazilian offshore industry.

Singapore is the main hub for our operations in the Asia Pacific region, where we operate an operations base. In Kuala Lumpur, Malaysia, we have a 50% interest in SapuraAcergy, a Malaysian pipelay and heavy lift joint venture. An Australian-based team in Perth, Western Australia, supports the execution of projects in Australia and New Zealand.

In Europe, our long-established presence in Scotland, UK, is supported by project management operations in Aberdeen, operational facilities in Glasgow, a pipeline Bundle fabrication yard at Wick and a spoolbase in Leith, which was redeveloped in 2014. In Norway, we have a range of operations and bases including the world's longest spoolbase at Vigra in the north-west, and significant bases at Kristiansund, the gateway to the Norwegian Sea, and Dusavik, Stavanger. A new office was opened in Tromsø in 2014 to support the Aasta Hansteen project as well as future business in Northern Norway.

We provide support to our operations in the Gulf of Mexico through our Houston, USA, office. Our global project management and engineering centres in Paris and London underpin our work in the major oil and gas provinces as well as providing support for our in-country activities around the world. In 2014, we opened a new office in St. John's, Newfoundland, Canada, to support operations in the nearby Jeanne d'Arc Basin.

These locations ensure we deliver global expertise with local know-how, while delivering positive economic benefits to the communities in which operate.

We train and develop local people worldwide – here, Angolan welders prepare coating at our Luanda spoolbase

CORPORATE RESPONSIBILITY

At Subsea 7 we are committed to operating in a safe, ethical and responsible manner, and constantly improving our safety management, working to mitigate risks and developing a strong HSE (Health, Safety and Environment) culture across our global workforce in all our operations, both offshore and onshore.

Our goals are always to protect the health and safety of our people and contractors, to take robust steps to ensure we conduct business with integrity and in compliance with applicable laws, to invest in the communities in which we operate and to minimise our impact on the environment.

Our socially responsible approach allows us to develop local capability and support key community initiatives.

Protecting people

The health and safety of people is our first priority. It is our objective to achieve an incident-free workplace every day, everywhere. To reinforce and support this goal we introduced the Great Safety Day campaign in 2014.

Great Safety Day is a way of describing what happens when people display the correct behaviours, look out for their colleagues, use the right tools and follow the Company's HSE processes and procedures. Great Safety Day modules are targeted at agreed areas for improvement in Subsea 7's HSE performance and we assess this performance on a rolling 12-month basis.

In 2014, Subsea 7 recorded 298 Great Safety Days. During 2014, 33,880,387 man-hours were worked, during which we reduced our lost-time incident frequency rate by 16% and our recordable incident frequency rate by 29%.

Protecting the environment

Subsea 7 actively assesses environmental risk, sets objectives and targets, and works with clients, suppliers and subcontractors to improve environmental performance.

We have an Environmental Management System which is consistent with ISO 14001 certification standards and a range of policies and procedures to manage hazardous substances and waste. We set a target of zero environmental spills and we work to ensure we meet all applicable environmental regulations in the regions and countries where we operate.

"Clean Operations"

A prime environmental performance target is monitoring and controlling our vessel fuel and exhaust emissions. Our "Clean Operations" Emissions Saving Programme records any measure on a vessel that will save energy, and we seek to improve our performance year-on-year. With this programme we aim to increase the awareness of energy efficiency across our operations, always ensuring this does not conflict with or compromise safety and legal requirements or the execution of work. The total number of "Clean Operations" procedures completed during 2014 was in excess of 6,300.

Biodiversity

We are a founder member and global supporter of SERPENT, a network of world-class scientific research groups that work with the global oil and gas industry to use industrial-class ROVs primarily for deep-sea science.

SERPENT focuses on deep-sea ecosystems and the assessment of disturbance and recovery from hydrocarbon industry activities. We support this research particularly in Angola where deepwater biodiversity is largely currently unrecorded.

Great Safety Day modules target offshore and onshore activities to achieve an incident-free workplace

We support malaria-prevention initiatives in Angola

Conducting business with integrity

Subsea 7 is committed to carrying out its business in an ethical manner and in strict compliance with applicable laws wherever we operate. Integrity is a core Value and we aim to act fairly, honestly and with integrity at all times, and be trusted by our clients, business partners, suppliers and other stakeholders.

Our Code of Conduct sets out our commitments and all employees are required to uphold and comply with the code. An annual Compliance and Ethics e-learning campaign is mandatory for all employees above a certain band or in higher-risk roles or functions, and a 100% completion rate was achieved in 2014.

We have a Group-wide anti-bribery and anti-corruption compliance programme which is consistent with international best practice (including the British Anti-Bribery Management System Standard (BS 10500)) and is underpinned by our Values.

Our Group Head of Compliance and Ethics is responsible for the design and oversight of our programme. He reports to the Corporate Governance and Nominations Committee (the Board Committee responsible for compliance and ethics) and to the executive Ethics Committee. One of the key roles of the compliance and ethics function is to ensure that management's accountability is well understood and embedded.

Subsea 7 engages with thousands of suppliers worldwide and our Supply Chain Management procedures require the use of approved suppliers wherever possible. This entails the pre-qualification of suppliers for performance standards in quality, safety, the environment and (for suppliers in areas where there is greater risk identified) ethics and anti-corruption.

We are also committed to treating our employees, clients, contractors, suppliers and other stakeholders fairly and with respect, and to upholding and respecting human rights.

Supporting communities

At Subsea 7 we always recognise our wider responsibilities to the communities where we live and work. In 2014, we made a $200,000 donation to the Disasters Emergency Committee appeal following the typhoon which struck the Philippines in late 2013. This contribution was raised in support of colleagues of our offshore crews whose families were affected by the disaster.

Subsea 7 is actively committed to assisting local communities in improving their healthcare provision. We have established long-term partnerships with local officials and public health organisations to target malaria in the areas in which we operate. Protecting our staff, their families and their communities and ensuring they are treated if they become infected is of primary concern to us in countries such as Angola, where we work closely with our joint venture company Sonamet on malaria prevention initiatives including at the SOS Children's Village in Benguela Province.

Subsea 7 is an active sponsor of local education initiatives around the world.

In Norway, we have worked closely with the University of Stavanger (UiS) providing guest lecturers and coaching students through their Masters' theses. Together with UiS we are working on a new course in Marine Engineering at the University of Tromsø (UiT).

In the UK, Subsea 7 has collaborated with the Institution of Civil Engineers (ICE) to launch a hands-on initiative, 'Bridges to School', which is designed to awaken the interest of children as young as nine in a science or technology career.

In Brazil, 'Tree House' (Casa da Árvore), a project located in Niteroi, Rio de Janeiro, focuses on children aged up to ten who live in poverty, working with them on the streets and with their families at home.

In Ghana, Subsea 7 supports The Sabre Trust through the TEN offshore development project, and our employees have made a $23,000 donation towards the building of a kindergarten in Takoradi, with work due to commence in 2015.

AFRICA, GULF OF MEXICO & MEDITERRANEAN

Revenue

$2,464m

(2013: $2,454m)

% of Group

36%

(2013: 39%)

Backlog

$2,131m

(2013: $2,952m)

% of Group

26%

(2013: 25%)

Net operating income (excluding goodwill impairment)[1]

$297m

(2013: $397m)[2]

1. For explanation and reconciliation of net operating income, see page 66
2. Re-presented due to reclassification of assets held for sale, see page 79

Market overview and outlook

2014 Highlights

- Completed projects:
  - CLOV SURF for Total, offshore Angola
  - Block 31 GES and PSVM for BP, offshore Angola
  - OCIP Phase 2 Conventional for ExxonMobil, offshore Nigeria
  - Pipelay projects in the US Gulf of Mexico, including Who Dat Phase 3 for LLOG and Cardona for Stone Energy
  - L60 for Pemex, offshore Mexico
- Projects in progress:
  - Lianzi SURF and Lianzi Topside for Chevron, offshore Angola
  - OFON 2 for Total and Erha North for ExxonMobil, offshore Nigeria
  - TEN for Tullow, offshore Ghana
- Contract awards:
  - Baobab Field Phase III SURF development project for CNR, offshore Ivory Coast
  - In the Gulf of Mexico, three-year Life of Field extension for BP; SURF installation for Shell; Stampede SURF installation for Hess

Market summary

Good progress across a number of projects in the Territory underpinned our performance in 2014. Revenue at $2.5 billion was in line with 2013 while net operating income, excluding the goodwill impairment, fell from $397 million in 2013 to $297 million.

The Line 60 and 67 projects offshore Mexico were largely completed but cost overruns, due to a range of factors including third-party vessel breakdown and field access difficulties, impacted margins in the short term.

Successful project execution helped maintain revenue levels. The technology-rich CLOV project offshore Angola, incorporating our proprietary Hybrid Riser Towers (HRTs) constructed at our Lobito fabrication yard, was successfully completed and met the client's first oil date in June.

A new support base was developed in Takoradi, Ghana, to support the TEN deepwater project for Tullow. The base is a strategically important location for the future development of fields offshore Ghana.

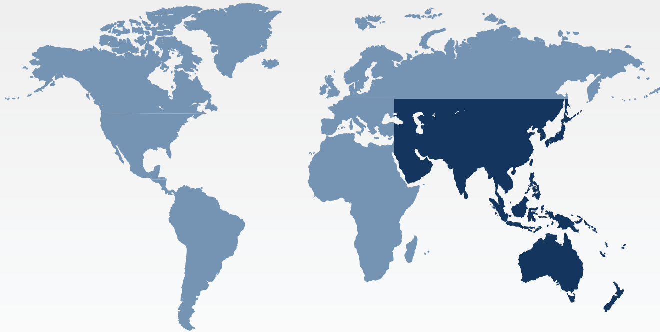
In the US Gulf of Mexico, where deepwater drilling activity levels remained high in 2014, a number of new contracts were secured. This region offers significant opportunities in both Life of Field and deepwater SURF. Mexico's territorial waters in the Gulf of Mexico are also expected to become an active area for both deep and shallow water developments in the medium term.

In West Africa, deepwater prospects offshore Ghana, Congo, the Ivory Coast and Gabon offer potential over the next five years. A number of significant tenders were in progress at the end of 2014 for deepwater SURF projects and shallow water Conventional work. We are also targeting the growing Life of Field opportunities in West Africa. East Africa, and Mozambique, in particular, has considerable potential in the longer term, with significant oil and gas discoveries.

In the Mediterranean, while political issues continue to hamper progress, there are a number of deepwater gas reserves with large, complex development projects which match our capabilities. Egypt is potentially an important market in the near term.

Seven Borealis and *Seven Eagle* deployed on Total's CLOV project, offshore Angola

ASIA PACIFIC & MIDDLE EAST



Revenue

$911m

(2013: $498m)

% of Group

13%

(2013: 8%)

Backlog

$211m

(2013: $757m)

% of Group

3%

(2013: 6%)

Net operating income

$90m

(2013: $86m)

Market overview and outlook

2014 Highlights

- Completed projects:
  - Gorgon Umbilical SURF project for Chevron, offshore Australia
  - P17-18 SURF project for Petro Vietnam, offshore Vietnam
  - Ningaloo project for Apache, offshore Australia,
  - G1/GS-15 campaign 3 SURF project for ONGC, offshore India
- Projects in progress:
  - Significant progress made on the Gorgon Heavy Lift and Tie-Ins (HLTI) SURF project offshore Australia and the Bayu Undan Phase 3 SURF project for ConocoPhillips in the Timor Sea
- Contract awards:
  - Al-Khalij Block 6 project for Total Fina Elf, offshore Qatar

Market summary

A number of projects were successfully completed during 2014, including the G1/GS-15 campaign 3, offshore India, and the Gorgon Umbilical project, offshore Australia.

The Gorgon HLTI project in Australia included a 470t spool lift, one of the heaviest in the industry

Significant progress was also made on the Bayu Undan and Gorgon Heavy Lift and Tie-Ins (HLTI) SURF projects offshore Australia. The Gorgon HLTI project team successfully completed the fabrication and load-out of what is believed at 470t to be the heaviest spool lift in the industry. The offshore campaign, which began in October 2013, had already achieved an industry first with the installation of structures in excess of 1,000t in a water depth of 1,350m. Awarded in 2011, Gorgon is one of the world's largest natural gas projects.

Execution of these important projects contributed to the overall performance of the APME region with $911 million of revenue, up 83% compared to 2013. Net operating income improved slightly from $86 million in 2013 to $90 million in 2014 but margins were offset by the timing of project completion and lower contributions in 2014 by the SapuraAcergy joint venture.

The Asia Pacific region is home to the world's leading future growth economies and with the highest projected demand growth for energy. Countries such as India, Indonesia, Malaysia and China are expected to develop into deepwater provinces. Our long-term presence and established track record put us in a position to tender competitively for SURF contracts for deepwater and complex field developments across the region.

Overall activity levels are improving but there remains uncertainty over the timing of awards. In addition, the oil and gas landscape remains highly competitive with a mix of international and national service companies vying for contracts.

In Indonesia, we saw a further delay in the timing of market award of the Gendalo Gehem project. Despite this, a number of field developments are anticipated over the next five years in this major oil and gas province.

Life of Field offers attractive opportunities, particularly in Australia, and i-Tech opened a custom-built office and workshop facility near Perth in April 2014 to provide on-site services and storage facilities for clients.

BRAZIL

Revenue	% of Group
$954m	**14%**
(2013: $814m)	(2013: 13%)

Backlog	% of Group
$3,427m	**41%**
(2013: $4,312m)	(2013: 37%)

Net operating income (excluding goodwill impairment)[1]

$199m

(2013: $(318)m)

1. For explanation and reconciliation of net operating income, see page 66

Market overview and outlook

2014 Highlights

- Completed projects:
  - Guará-Lula NE SURF for Petrobras. Pre-commissioning was completed in January 2015.
  - Sapinhoá and Lula NE SURF project for Petrobras
  - The newly-built Pipelay Support Vessel (PLSV) *Seven Waves* commenced operations in May 2014
- Contract awards:
  - BC-10 Phase 3 SURF for Shell in the Campos Basin
  - Two awards to i-Tech by Petrobras for ROVs and underwater remote intervention services

Market summary

In Brazil, the financial turnaround of the business was completed and supported by strong project execution and vessel utilisation.

Revenue was $954 million, up 17% on the prior year while net operating income, excluding the goodwill impairment, reached $199 million compared with a net operating loss of $318 million in 2013.

The final stages of execution on the technology-rich Guará-Lula NE project proceeded on schedule with the last of the 27 risers installed in December. A number of the risers were commissioned earlier in the year and were a key contributor to the high production levels achieved by Petrobras. The deployment of new technology on Guará-Lula NE in the form of four Buoy-Supported Riser systems (BSRs) has been a technical success, and the project also produced a world first in the reeled installation of BuBi® mechanically-lined pipe.

Petrobras has been awarded the Offshore Technology Conference (OTC) "2015 Distinguished Achievement Award" for the delivery of new technologies associated with the Brazilian pre-salt fields.

The effective completion and de-risking of this project, which will see final pre-commissioning work in 2015, allowed us to revise our financial plan and reduce the estimated full-life project loss provision by approximately $100 million.

In addition to the strong project delivery in Brazil, we continued to achieve high levels of utilisation and operational performance with our PLSV fleet under long-term contracts.

The vessel construction programme of four new-build PLSVs proceeded well in 2014, and the shipyard build is on schedule and budget. The workscopes of these multi-year day-rate contracts cover new field development in addition to ongoing inspection, repair and maintenance (IRM) of existing fields.

Our i-Tech Division received two awards in the year for two Remotely Operated Vehicles (ROVs) and underwater positioning services for vessels operating offshore Brazil for an initial four-year term with options to extend for up to another four years each.

Brazil remains a major area for investment in the oil and gas sector. 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 pipe solutions. This provides us with opportunities to benefit from our market-leading portfolio of riser solutions for deepwater installations.

Seven Oceans J-laying BuBi® corrosion-resistant pipe on the Guará-Lula NE project, Brazil

NORTH SEA & CANADA

Revenue	% of Group
$2,533m	**37%**
(2013: $2,514m)	(2013: 40%)

Backlog	% of Group
$2,470m	**30%**
(2013: $3,749m)	(2013: 32%)

Net operating income (excluding goodwill impairment)[1]

$423m

(2013: $395m)

1. For explanation and reconciliation of net operating income, see page 66

Market overview and outlook

2014 Highlights

- Completed SURF projects:
  - Andrew for BP, Forties Charlie SSIV for Apache, Laggan Tormore and West Franklin for Total, and Caisson repair for Dong Energy, all offshore UK
  - Statoil Oseberg Delta 2, offshore Norway
  - Suncor Energy Phase 4, offshore Canada
- Projects in progress:
  - Knarr for BG International, Martin Linge for Total and Aasta Hansteen for Statoil, all SURF offshore Norway
  - Western Isles for Dana, Clair Ridge for BP and Montrose for Talisman Sinopec, Mariner for Statoil, all SURF offshore UK
  - High level of activity in Life of Field services executed under frame agreements with BP, Shell, DSVi and Statoil
- Contract awards:
  - Catcher development for Premier Oil UK, our largest UK EPIC SURF services contract to date
  - Hebron development for ExxonMobil Canada Properties, a three-year subsea services SURF contract, offshore Canada

Launching an advanced pipeline Bundle at Wick, Scotland, for the Knarr project in Norway

Market summary

The North Sea & Canada (NSC) Territory reported a strong result for 2014, with revenue exceeding $2.5 billion and net operating income, excluding the goodwill impairment, improving by 7% to $423 million compared to 2013.

The result was underpinned by strong project delivery, including a number of successful completions in Canada, Norway and the UK.

The North Sea deployment of our proprietary Bundle technology continued, including on the Knarr project in Norway. Bundle technology is a key factor in realising the commercial viability of many subsea developments, and supports the growth in demand for subsea processing systems.

Another of our innovative cost-reducing technologies, reeled BuBi® mechanical lined pipe, will be installed on the complex Aasta Hansteen development in Norway in 2015 and 2016.

Other highlights in 2014 included the final offshore campaign for the Laggan Tormore project offshore UK.

High activity in Life of Field services, particularly in the UK, continued in 2014, and 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 present significant long-term opportunities. As a world leader in Life of Field services, we are well positioned to compete successfully to meet this demand.

The near-term outlook for the North Sea and Canada remains challenging due to the weakened oil price and pressure on our clients' capital expenditure plans. During 2014, a number of SURF projects expected to be awarded to the market were postponed. In Norway, we have streamlined our business to align with projected lower demand.

The longer-term prospects remain good, however, particularly for developments in the harsher climates of Norway and eastern Canada.

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.), Flensburger Schiffbau-Gesellschaft mbH & Co. KG, 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, a Non-Executive Director of Spie S.A since 2011 and Chairman of AGS Airports Limited since October 2014.

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 35 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 and President of the drilling division. He is a graduate from the École des Mines de St-Ètienne and the French Petroleum Institute. 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., Flensburger Schiffbau-Gesellschaft mbH & Co. KG and Electromagnetic Geoservices ASA 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 Rayonier Inc. and 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 and director 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. There will be three directors standing for re-election at the Annual General Meeting on 17 April 2015: Mr Dod Fraser, whose term will expire on 17 April 2015 and also Mr Allen Stevens and Mr Robert Long, following their resignation and subsequent co-optation onto the Board of Directors during 2014. The current term of the remaining directors, Mr Kristian Siem, Sir Peter Mason KBE, Mr Jean Cahuzac and Mr Eystein Eriksrud, will expire at the Annual General Meeting to be held in June 2016. Under the Company's Articles of Incorporation, the Board must consist of not fewer than three directors.

EXECUTIVE MANAGEMENT TEAM

1. Jean Cahuzac, 1954
Chief Executive Officer

Jean 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.

Jean's full biography is included under Board of Directors on page 26.

2. John Evans, 1963
Chief Operating Officer

John Evans has been Chief Operating Officer of Subsea 7 since July 2005. 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. John has a Bachelor of Engineering degree in Mechanical Engineering from Cardiff University, is a Chartered Mechanical and Marine Engineer and a Chartered Director.

John Evans is a British citizen.

3. Nathalie Louys, 1963
General Counsel

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

Nathalie Louys is a Belgian citizen.

4. Øyvind Mikaelsen, 1963
Executive Vice President – Southern Hemisphere and Global Projects

Øyvind Mikaelsen was appointed to become a member of the Executive Management Team in his capacity as Executive Vice President – Southern Hemisphere and Global Projects, with effect from 1 January 2015. Øyvind began his career in the oil and gas industry with Kvaerner Rosenberg A/S in 1988. He then moved to Norske Shell before joining Subsea 7 in 1992 where he held a variety of positions until he was appointed Vice President Subsea Construction product line in 2001, based in Aberdeen. In 2003, Øyvind was appointed Vice President of the Northern Europe and Canada Region and, in 2009, Senior VP for Subsea 7 Asia and Middle East and Northern Europe and Canada. In 2011, he became Senior Vice President for the combined region of North Sea, Mediterranean and Canada. Øyvind has held various directorships including with the OLF, the Norwegian Oil Industry Association, and has served as a member of the Det Norske Veritas (DNV) advisory board since 2007. Øyvind holds a Master of Science degree from the University of Trondheim in Norway.

Øyvind Mikaelsen is a Norwegian citizen.

5. Ricardo Rosa, 1956
Chief Financial Officer

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

Ricardo Rosa has dual British and Brazilian citizenship.

6. Keith Tipson, 1958
Executive Vice President – Human Resources

Keith 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. Keith has a business degree from the University of West London.

Keith Tipson is a British citizen.

7. Steve Wisely, 1962
Executive Vice President – Northern Hemisphere and Life of Field

Steve Wisely was appointed Executive Vice President – Northern Hemisphere and Life of Field on 1st January 2015. Prior to this, Steve was Executive Vice President – Commercial. 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 the Asia Pacific before taking up the role of EVP – Commercial in 2010. Steve is a graduate of Robert Gordon University in Aberdeen with a degree in Quantity Surveying.

Steve Wisely is a British citizen.

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

2014 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 the inside front cover. Corporate responsibility is embedded in these Values and the Group's Code of Conduct, which is available on Subsea 7's website: www.subsea7.com, enforces these Values.

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 30 October 2014.

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."

The full text of the Company's Articles of Incorporation, as amended, is 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 to 7 and 'Where we operate' on pages 8 to 9.

Equity and dividends

Shareholders' equity

Total shareholders' equity at 31 December 2014 was $5.56 billion (2013: $6.57 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 November 2014 Extraordinary General Meeting, the Board of Directors' authority to approve the purchase of Company shares up to a limit of 10% of the issued common shares (further to the cancellation of the common shares pursuant to the November 2014 EGM) net of the common shares previously repurchased and still held was extended to 26 November 2019. This authority is subject to certain purchase price conditions. The Board was also granted authority for a period ending on 26 May 2020 to cancel shares repurchased under such authorisation and to reduce the issued share capital through such cancellations.

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

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

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 36 '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 Articles of Incorporation provide that the AGM is held each year, on the fourth Friday in June, in Luxembourg, unless shareholders agree an earlier date. 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 as close as practicable to the date of the AGM, taking into account the differing deadlines for ADR and common share proxies. 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.

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.

Under Luxembourg law, decisions will be validly taken at the AGM regardless of the number of shares represented if approval is obtained from the majority of the votes of those shareholders that are present or represented.

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

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 the annual evaluation of the Board of Directors' performance.
7. Overseeing all aspects of Subsea 7's compliance and ethics function.
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 26 to 27.

The majority of the directors were, during the financial year 2014, 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 seeks to consult with the Company's major shareholders before recommending candidates to the Board of Directors.

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.

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 2014 is summarised below:

2014 Meetings

	Board	Audit Committee	Corporate Governance and Nominations Committee	Compensation Committee
Kristian Siem	8/8		2/2	5/5
Sir Peter Mason KBE	8/8		2/2	
Jean Cahuzac	8/8			
Dod Fraser	8/8	5/5		
Robert Long*	7/8**	5/5		5/5
Allen Stevens*	7/8**		2/2	5/5
Eystein Eriksrud	7/8	5/5		

* Robert Long and Allen Stevens temporarily stood down from the Board of Directors between June 2014 and September 2014 in order to enable the Group to meet requirements applicable to non-US companies operating in the Gulf of Mexico.

** Robert Long and Allen Stevens attended the Board Meeting which took place on 30 July 2014 but did not vote or participate in discussions as they were not members of the Board of Directors at this time.

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 96.

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 2015, 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 28 to 29. 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 are 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 page 37. 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 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 36 '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 36 '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.

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.

Remuneration of the Executive Management

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 36 '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 36 '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 36 '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 36 'Related party transactions' to the Consolidated Financial Statements), which are now closed to new awards. Full details of the 2013 LTIP are set out in Note 37 'Share-based payments' to the Consolidated Financial Statements.

Further details of the remuneration of the Executive Management Team are detailed in Note 36 '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	21.0%
Folketrygdfondet	6.2%

(a) Information is correct as at 31 December 2014.

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 27. 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.

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.

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.

Directors' Responsibility Statement

We confirm that, to the best of our knowledge, the Consolidated Financial Statements for the year ended 31 December 2014 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 2014 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

3 March 2015

Jean Cahuzac
CEO and Director

3 March 2015

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

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 costs and margins realised on such projects could vary from the estimated amounts because of a number of factors and could result in the Group achieving a reduced margin or loss on such projects. The Group assesses the risks involved in fixed price contracts and knowingly assumes certain risks under these contracts, the terms of which are designed to compensate for these risks. The Conventional, Hook-up and Life of Field businesses have similar although less challenging risk profiles. Revenue from the i-Tech Division is contracted on a day-rate basis and consequently has the lowest risk profile.

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 monitoring and managing operational and enterprise risk in pursuit of the Group's business objectives. It 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.

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 risks, bidding risk, project execution, supply chain management and business conduct risks. Each of these has the 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 Our business depends on the level of activity in the oil and gas industry and, consequently, 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. In the current economic climate, failure by a client or a client experiencing financial difficulties could lead to late or non-collection of amounts owed.	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. The financial strength and solvency of our clients is always considered before entering into a contract and is a specific area of focus in the current economic climate.
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.

Business environment risks

Risk	Mitigation
Geographic The Group operates in various regions of the world which gives rise to a number of risks and uncertainties, including: • Legal and regulatory • Political • Business conduct • Financial • Operational.	These risks are carefully considered prior to the Group entering such regions and appropriate procedures are developed and implemented to mitigate their impact.
Technology risks The Group's clients seek to develop oil and gas fields in increasingly deeper waters and more challenging offshore environments. This may require the implementation of new technologies. Any failure by the Group to anticipate or respond appropriately to changing technology, market demands and client requirements could adversely affect the Group's ability to compete effectively for, and win, new work.	The Group continues to focus on developing new technologies and to evaluate the risks associated with their first implementation. Risk is also mitigated by negotiating the risk profile for technology-rich projects with our clients.

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. Increased competition for skilled personnel could result in a lack of resources or increased salary costs to the Group.	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, representatives 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, representatives or such other persons may take actions that breach the Group's Code of Conduct and the law, including but not limited to anti-bribery and anti-corruption laws. Any such breach could result in monetary penalties, convictions, debarment and damage to its reputation and could therefore impact the Group's 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 representatives to ensure that they are aware of and understand 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. These policies are regularly reviewed to ensure they continue to address existing and emerging Information Security and cybercrime risks. Courses are used to raise awareness among employees of these risks and of the Group's procedures to manage them.

Delivery and operational risks

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, tenders meeting specific risk criteria being approved by a Committee of 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. In addition, the failure of a joint venture partner to meet its financial obligations could result in an adverse impact on the Group's financial condition and cash flow.	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. Risk registers 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.
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.

Delivery and operational risks continued

Risk	Mitigation
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 and ensure compliance with relevant laws and regulations. These policies 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.	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.
Availability of vessels could also be impacted due to delays to the completion of major repairs or upgrading of vessels (including dry dockings).	Maintenance and dry dockings are subject to detailed planning, and procedures are in place to mitigate the risk of completion delays.
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 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.

Financial risks continued

Risk	Mitigation
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 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 REVIEW

Financial highlights

During 2014 the Group experienced high levels of project activity across all four Territories. Vessel utilisation was 82% compared with 81% in 2013. The Group incurred a net operating loss for the year of $254 million after recognising a goodwill impairment charge totalling $1,183 million. Excluding the goodwill impairment charge, the Group generated net operating income of $930 million which was positively impacted by a $100 million reduction in the full-life project loss recognised on the Guará-Lula NE project in Brazil.

The goodwill impairment charge of $1,183 million, in aggregate, arose as a result of the Group's annual review of the carrying value of goodwill in each of its four Territories. This non-recurring, non-cash charge, which had no tax impact, affected the AFGOM, Brazil and NSC Territories following a downward revision of forecast activity levels, driven by challenging market conditions, and changes to assumptions relating to growth and discount rates.

The Group incurred a net loss of $381 million, equivalent to a diluted loss per share of $1.02, after deducting the goodwill impairment charge of $1,183 million. Excluding this charge, the Group's net income for 2014 was $802 million, equal to Adjusted diluted earnings per share of $2.32, an increase of 132% in Adjusted diluted earnings per share compared with 2013.

As at 31 December 2014, the Group's backlog totalled $8.2 billion, a decrease of $3.6 billion compared to 31 December 2013. The decrease in backlog reflected delays of awards to the market across all Territories and adverse foreign exchange impacts.

The PLSV, *Seven Waves*, joined the fleet during the year, commencing operations in May 2014 under a long-term contract with Petrobras in Brazil. The Group continued with its new-build vessel programme focused on fleet renewal and enhancement. Construction progressed on *Seven Kestrel*, a new diving support vessel for operation in NSC, with delivery expected in late 2015; *Seven Arctic*, a heavy construction vessel, due for delivery in 2016; and on three PLSVs, *Seven Rio, Seven Sun* and *Seven Cruzeiro*, linked to long-term contracts awarded by Petrobras, with delivery dates in late 2015 and during 2016.

The Group held cash and cash equivalents of $573 million at 31 December 2014 compared with $692 million at 31 December 2013, and had total borrowings of $578 million at 31 December 2014 compared with $917 million at 31 December 2013.

For the year ended (in $ millions, except Adjusted EBITDA margin, share and per share data)	**2014 31 Dec**	2013 31 Dec Re-presented[(a)]
Revenue	**6,870**	6,297
Adjusted EBITDA (unaudited)[(b)]	**1,439**	981
Adjusted EBITDA margin (unaudited)[(b)]	**21%**	16%
Net operating income excluding goodwill impairment charge	**930**	568
Goodwill impairment charge	**(1,183)**	–
Net operating (loss)/income	**(254)**	568
Net income excluding goodwill impairment charge	**802**	344
Net (loss)/income	**(381)**	344
Earnings per share – in $ per share		
Basic	**(1.02)**	1.05
Diluted	**(1.02)**	1.00
Adjusted diluted[(c)]	**2.32**	1.00

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented[(a)]
Backlog (unaudited)	**8,235**	11,770
Cash and cash equivalents	**573**	692
Borrowings	**578**	917

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the Consolidated Financial Statements.

(b) For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin please refer to page 105 of the Consolidated Financial Statements .

(c) For explanation and a reconciliation of diluted and Adjusted diluted earnings per share please refer to Note 12 'Earnings per share' to the Consolidated Financial Statements.

Re-presentation of comparative information

Where appropriate, certain comparatives have been re-presented to reflect the reclassification of the Group's interest in Sonamet and Sonacergy from assets held for sale as set out in Note 21 'Assets classified as held for sale' to the Consolidated Financial Statements. The impact of this re-presentation was to reduce 2013 net income by $6 million and to reduce total equity at 31 December 2013 by $41 million.

Revenue

Revenue for 2014 was $6.9 billion, an increase of $573 million or 9% compared to 2013. The increase in revenue was primarily driven by increased activity levels in the APME and Brazil Territories.

Adjusted EBITDA

Adjusted EBITDA was $1.4 billion in 2014, an increase of $458 million or 47% compared to 2013. The Adjusted EBITDA margin was 21% compared to 16% in 2013 with the increase in margin largely attributable to an approximately $100 million reduction in the full-life project loss on the Guará-Lula NE project compared with an additional full-life project loss provision of $355 million recognised in 2013. Excluding the impact of the goodwill impairment charge, margins improved in Brazil, reflecting improved contractual terms for the vessels on long-term contracts with Petrobras and the improved financial performance on the Guará-Lula NE project. NSC's net operating margin, excluding the impact of the goodwill impairment charge, improved to 17% from 16% in 2013 due to good operational execution on projects and high levels of vessel activity. In AFGOM, significant progress was made on several large projects but the Territory's net operating margin, excluding the impact of the goodwill impairment charge, was 12%, compared with 16% in 2013, and was adversely impacted by increased costs incurred in relation to operational issues on the L60 and L67 projects in the Mexican sector of the Gulf of Mexico. In APME net operating margin decreased to 10% from 17% in part due to the completion in 2013 of the Gumusut-Kakap project by the SapuraAcergy joint venture and in part due to the Gorgon HLTI project in Australia which generated significant revenue in 2014 at limited margin as commercial negotiations continued with the client.

Net operating loss

Net operating loss in 2014 was $254 million compared with net operating income of $568 million in 2013. The reduction of $822 million was mainly due to the non-recurring, non-cash, goodwill impairment charge of $1,183 million which had no tax impact. Excluding the impact of the goodwill impairment charge, net operating income of $930 million increased by $362 million or 64% which was largely due to:

- higher activity levels across all Territories; and
- a $100 million reduction in full-life project loss recognised on the Guará-Lula NE project, compared to a $355 million full-life loss provision recognised in 2013

partially offset by:

- a decrease of $58 million in the Group's share of net income of associates and joint ventures to $69 million (2013: $127 million). The decrease was primarily attributable to lower contributions from Seaway Heavy Lifting and SapuraAcergy, due to significantly lower levels of activity in both joint ventures during 2014;
- an increase in administrative expenses of $19 million due to the release in 2013 of $21 million of provisions associated with the 2011 business combination; and
- impairment charges related to property, plant and equipment totalling $89 million mainly in relation to *Seven Polaris* and mobile equipment where the future recoverable amounts were reassessed and reduced. This compared to vessel and equipment impairment charges of $37 million in 2013 mainly related to *Seven Polaris*.

Net loss

A net loss of $381 million was incurred in 2014 compared to net income of $344 million in 2013. The net loss was due to the recognition of the $1,183 million goodwill impairment charge.

Excluding the impact of the goodwill impairment charge, the underlying net income in 2014 increased by $458 million to $802 million compared to 2013 and was mainly driven by:

- the increase in net operating income;
- a reduction in finance costs of $52 million as a result of the absence of interest costs on the $500 million 2.25% convertible notes which matured in October 2013, a reduction in interest costs on the $275 million 3.5% convertible bonds which matured in October 2014 and increased capitalised interest on vessels under construction; and
- net gains within other gains and losses of $24 million compared with a net loss of $14 million in 2013 as a result of foreign currency exchange gains of $24 million in 2014 (2013: $27 million loss), partially offset by a loss on disposal of property, plant and equipment of $1 million (2013: $12 million gain).

The effective tax rate for the year, excluding the effects of the goodwill impairment charge, was 16%, which reflected the benefit of certain discrete items. In the year, the Group recognised a net tax decrease in respect of its tax provisions of $34 million (2013: $33 million) following resolution of certain matters with the relevant tax authorities and revised future potential exposures.

Earnings per share

Loss per share for the year was $1.02 (diluted: $1.02 loss) compared to earnings per share of $1.05 (diluted: $1.00) in 2013. Adjusted diluted earnings per share, which excludes the impact of the $1,183 million goodwill impairment charge, was $2.32 (2013: $1.00).

Cash and cash equivalents

Cash and cash equivalents decreased from $692 million to $573 million during 2014. The movement in cash and cash equivalents was mainly attributable to:

- cash generated from operating activities of $1.4 billion

offset by:

- expenditure on property, plant and equipment of $861 million, mainly related to the Group's new-build vessel programme;
- the repurchase of $79 million, at par value, and the redemption at maturity of $182 million, at par value, of the $275 million 3.5% convertible bonds due 2014, for a total disbursement of $261 million;
- the repurchase of $82 million (par value) of the $700 million 1.0% convertible bonds due 2017, for $76 million in cash;
- the repurchase of shares under the Group's share repurchase programmes totalling $166 million; and
- the payment of dividends amounting to $195 million.

Borrowings

Borrowings decreased by $339 million to $578 million during 2014. The reduction was largely due to the maturing of the $275 million 2014 3.5% convertible bonds, of which $261 million were repaid in cash and $14 million converted to shares, and the early repurchase of $82 million (par value) of the $700 million 1.0% convertible bonds due to mature in 2017 for $76 million, repaid in cash.

Allocation of net loss

The net loss for the year of $381 million (2013: net income of $344 million) was transferred to equity, of which $338 million loss (2013: net income of $350 million) was attributed to shareholders of the parent company and $43 million loss was attributed to non-controlling interests.

Territory highlights

For the year ended 31 December 2014

(in $ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	**2,464.4**	**910.5**	**954.1**	**2,532.9**	**8.0**	**6,869.9**
Net operating income/(loss) excluding goodwill impairment charge	**297.2**	**90.2**	**198.5**	**423.0**	**(79.4)**	**929.5**
Impairment of goodwill	**(364.4)**	**–**	**(283.1)**	**(535.8)**	**–**	**(1,183.3)**
Net operating (loss)/income	**(67.2)**	**90.2**	**(84.6)**	**(112.8)**	**(79.4)**	**(253.8)**

For the year ended 31 December 2013

(in $ millions)	AFGOM Represented[a]	APME	BRAZIL	NSC	CORP	Total Represented[a]
Revenue	2,453.6	498.1	814.1	2,514.0	17.3	6,297.1
Net operating income/(loss) from operations	396.5	86.1	(317.5)	394.9	7.7	567.7

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 ‘Assets classified as held for sale’ to the Consolidated Financial Statements.

Africa, Gulf of Mexico & Mediterranean (AFGOM)

Revenue was $2.5 billion which was in line with 2013. During the year the CLOV and Block 31 PSVM projects, offshore Angola, were completed. The Block 31 GES project, offshore Angola, the OCIP Phase 2 project, offshore Nigeria, the Cardona and Tubular Bells projects, in the US sector of the Gulf of Mexico, and the Line 60 project, in the Mexican sector of the Gulf of Mexico, were substantially completed.

There was progress on the Lianzi SURF and Lianzi Topside projects, offshore Angola, the OFON 2 and Erha North projects, offshore Nigeria, the T.E.N. project, offshore Ghana; the Heidelberg and BP Life of Field projects in the US sector of the Gulf of Mexico and the Line 67 project, in the Mexican sector of the Gulf of Mexico. Net operating income, excluding the goodwill impairment charge, at $297 million was $100 million or 25% lower than 2013. The decrease in net operating income was mainly due to additional costs incurred in 2014 on the Line 60 and Line 67 projects related to third party vessel breakdowns and field access issues which resulted in schedule changes.

Asia Pacific & Middle East (APME)

Revenue was $911 million, an increase of $413 million or 83% compared to 2013. During the year the Gorgon Umbilical and Ningaloo projects, offshore Australia, and the ONGC G1 project, offshore India, were substantially completed. There was significant progress on the Gorgon HLTI and Bayu Undan projects, offshore Australia. Net operating income was $90 million, compared to $86 million in 2013 with the 2014 increase in activity being offset by lower contributions from both the SapuraAcergy and Subsea 7 Malaysia joint ventures which had higher activity levels in 2013 on the Gumusut-Kakap and Kumang projects respectively. The Gorgon HLTI project contributed significant revenue in the year, although margin recognition was limited as commercial negotiations continued with the client.

Brazil (BRAZIL)

Revenue was $954 million, an increase of $140 million or 17%. PLSV’s under renewed long-term contracts with Petrobras achieved high levels of utilisation at improved pricing and the new-build *Seven Waves* commenced operations in May 2014. During the year the Sapinhoá and Lula project was substantially completed. The offshore campaign for the Guará-Lula NE project was substantially completed, with some pre-commissioning work remaining to be executed in 2015. This contributed towards a significant de-risking of the project and led to a reduction in the full-life project loss of approximately $100 million being recognised in the year. Net operating income, excluding the goodwill impairment charge, was $199 million (2013: net operating loss $318 million). Net operating income in 2013 was adversely impacted by a $355 million increase in the expected full-life loss provision on the Guará-Lula NE project.

North Sea & Canada (NSC)

Revenue was $2.5 billion which was in line with 2013. During the year, the Andrew, West Franklin, Forties Charlie SSIV, Laggan Tormore, Monan and Caisson repair projects, offshore UK, the Delta S2 project, offshore Norway and the Suncor Phase 4 project, offshore Canada, were substantially completed. Work progressed during the year on the Knarr, Martin Linge, Aasta Hansteen, SLMP and Mariner projects, offshore Norway, and on the Western Isles, Clair Ridge, Enochdhu and Montrose projects, offshore UK. Work commenced on the Catcher 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, excluding the goodwill impairment charge, was $423 million, an increase of $28 million or 7% compared to 2013 with the increase due mainly to the successful completion and commercial close-out of various projects during the year.

Corporate (CORP)

Revenue for the year was $8 million (2013: $17 million), mainly related to the provision of services to joint ventures. The net operating loss was $79 million (2013: $8 million net operating income). The Group’s share of net income from Seaway Heavy Lifting was significantly lower in 2014 compared with 2013 due to vessel dry-docking and lower activity levels within the renewables sector. During

2014 impairment charges of $80 million related to property, plant and equipment were recognised within the Corporate segment mainly in relation to *Seven Polaris* and mobile equipment where the future recoverable amounts were assessed and reduced. In addition the 2013 results benefitted from the release of $21 million of provisions recognised at the date of the business combination in 2011.

Backlog

The Group had a backlog of $8.2 billion at 31 December 2014, a decrease of $3.6 billion or 30% compared to 31 December 2013. Significant contracts awards in 2014 included the Catcher project for Premier, offshore UK, a contract with BP for Life of Field services in the US Gulf of Mexico, the Stampede project for Hess in the US Gulf of Mexico, a project for Shell in the US Gulf of Mexico, contracts with Petrobras for remote intervention services by the i-Tech Division, a three-year subsea construction services contract with ExxonMobil in Canada, Shell's BC-10 Phase 3 project in Brazil and the Baobab project for CNR, offshore Ivory Coast. During the year backlog was adversely impacted by foreign exchange movements of $0.4 billion, this was mainly related to contracts denominated in Brazilian Reais, Norwegian Krone and British Pounds. These currencies weakened relative to the US Dollar during the year.

$6.6 billion of the backlog at 31 December 2014 related to SURF activity, which included $2.8 billion for the long-term PLSV contracts in Brazil, $1.3 billion related to Life of Field and i-Tech, and $0.3 billion related to Conventional and Hook-up. $4.1 billion of this backlog is expected to be executed in 2015, $1.7 billion in 2016 and $2.4 billion in 2017 and thereafter. Backlog related to associates and joint ventures is excluded from these amounts.

Balance sheet

Goodwill

Goodwill reduced to $1.3 billion from $2.6 billion following the recognition of an impairment charge of $1,183 million in the year and movements related to foreign exchange. This non-recurring, non-cash charge, which had no tax impact, affected the AFGOM, Brazil and NSC Territories following a downward revision of forecast activity levels, driven by challenging market conditions, and changes to assumptions relating to growth and discount rates.

Property, plant and equipment

Additions to property, plant and equipment totalled $878 million (2013: $811 million). Additions included $54 million related to the construction of *Seven Waves* and $309 million related to the ongoing construction of the three PLSVs for Brazil (*Seven Sun*, *Seven Rio* and *Seven Cruzeiro*). Construction also continued on *Seven Arctic* and *Seven Kestrel,* with associated expenditure of $105 million and $76 million respectively.

During the year, impairment charges totalling $89 million (2013: $37 million) were recognised in respect of *Seven Polaris* and mobile equipment where the future recoverable amounts were assessed and reduced.

Interest in associates and joint ventures

There were no significant changes in the Group's interests in associates and joint ventures during 2014.

Assets held for sale

The finalisation of the sale agreement to reduce the Group's ownership interest in Sonamet Industrial S.A. (Sonamet) and Sonacergy – Servicos E Construcoes Petroliferas Limitada (Sonacergy) from 55% to 36% was conditional upon the completion of certain conditions, none of which were under the control of the Group. Following the failure to satisfy these conditions by the end of 2014, the Group issued notification to the relevant parties confirming the position and ceased to classify the assets as held for sale on 31 December 2014. Where appropriate, the comparatives have been re-presented to reflect this reclassification. The impact of this re-presentation was to reduce 2013 net income by $6 million and to reduce total equity at 31 December 2013 by $41 million.

Borrowings

In September 2014, the Group repurchased $79 million (par value) of the $275 million 3.5% convertible bonds due 2014 (2014 Bonds). In October 2014 holders of $14 million (par value) of the 2014 Bonds exercised their option to convert into common shares. The remaining $182 million (par value) of the 2014 Bonds were redeemed for cash at their principal amount in October 2014. In addition the Group repurchased $82 million (par value) of the $700 million 1.0% convertible bonds due 2017.

Facilities

The Group entered into a new $500 million multi-currency revolving credit and guarantee facility on 3 September 2014. This facility is syndicated with several banks and is available for the issuance of guarantees, up to a limit of $200 million, a combination of guarantees and cash drawings, or is available in full for cash drawings. The facility was unutilised at 31 December 2014 and matures on 3 September 2019.

During 2014, the Group cancelled its $600 million multi-currency revolving credit and guarantee facility which was entered into on 10 August 2010. No cash drawdowns were made under this facility. The facility was available for the issuance of guarantees or a combination of guarantees and cash drawings, subject to a $100 million sub-limit for cash drawings. Prior to the cancellation of the facility, guarantees in issue were novated to uncommitted, unsecured bi-lateral guarantee facilities.

The Group also terminated three $100 million multi-currency revolving credit facilities, each negotiated with an individual bank, and solely available for cash drawings. No drawdowns had been made from these facilities.

Issued share capital and treasury shares

During 2014 the Group completed its $200 million share repurchase programme, initiated in October 2013, through the repurchase of 6,059,939 shares for a total consideration of $108 million. Cumulatively 10,710,315 shares were repurchased under the 2013 share repurchase programme for a total consideration of $199 million. On 31 July 2014, the Group announced a further $200 million share repurchase programme to be executed within 12 months of announcement. 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 a maximum of 10% of the Group's issued share capital, net of shares held in treasury. During 2014, the Group repurchased 4,457,078 shares under the July 2014 repurchase programme for a total consideration of $50 million.

Shareholders

The 20 largest shareholders as at 31 December 2014, and their beneficial ownership[a] as a percentage of the total fully paid and issued common shares of the Company were:

	%
Siem Industries, Inc.	21.0
Folketrygdfondet	6.2
Alecta pensionsförsäkring, ömsesidigt	4.6
Orbis Investment Management Ltd.	3.9
DNB Asset Management AS	3.6
BlackRock Institutional Trust Company, N.A.	2.3
Danske Capital (Norway)	2.1
SAFE Investment Company Limited	2.0
EARNEST Partners, LLC	1.9
Pareto Forvaltning AS	1.8
GE Asset Management Inc.	1.7
Nordea Funds Oy	1.7
KLP Forsikring	1.6
Robotti & Company Advisors, LLC	1.4
ODIN Forvaltning AS	1.4
The Vanguard Group, Inc.	1.2
Subsea 7 Investing (Bermuda) Limited[b]	1.2
Swedbank Robur AB	1.1
Ferd AS	1.1
Storebrand Kapitalforvaltning AS	1.1

(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)	**2014 31 Dec**	2013 31 Dec Re-presented[a]
Cash and cash equivalents at the beginning of the year	**692**	1,314
Net cash generated from operating activities	**1,450**	1,033
Net cash used in investing activities	**(828)**	(824)
Net cash used in financing activities	**(720)**	(821)
Effect of exchange rate changes on cash and cash equivalents	**(21)**	(10)
Cash and cash equivalents at the end of the year	**573**	692

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 ‘Assets classified as held for sale’ to the Consolidated Financial Statements.

Net cash generated from operating activities was $1.4 billion (2013: $1.0 billion) which reflected a net reduction in operating assets and liabilities of $268 million during 2014.

Investing activities consumed $828 million in 2014 compared with $824 million in 2013. This was mainly attributable to expenditure on property, plant and equipment of $861 million, an increase of $74 million from the $788 million incurred in 2013, partly offset by the absence of net funding, on an arm’s length basis, to joint ventures.

Financing activities consumed $720 million in 2014 compared with $821 million in 2013:

- During 2014, the Group paid a dividend of $195 million (equivalent to NOK 3.60 per share) and disbursed $166 million to acquire shares under the Group’s share repurchase programmes. The Group also repurchased $79 million of the $275 million 3.5% convertible bonds due 2014 for cash at par value and $82 million (par value) of the $700 million 1% convertible bonds due 2017 for $76 million. The $275 million 3.5% convertibles bonds matured in October 2014 with $182 million redeemed for cash at par value and $14 million (par value) converted to shares at the option of certain bondholders.
- In 2013 the Group paid a dividend of $199 million (equivalent to $0.60 per share) and disbursed $91 million related to share repurchases (of which $83 million were settled in cash by 31 December 2013) as part of the Group’s October 2013 share repurchase programme. $337 million of the $500 million 2.25% convertible notes due 2013 were redeemed for cash in October 2013 with the balance of $163 million converted to shares at the option of certain note-holders. In addition the $158 million *Seven Havila* loan was repaid.

New-build vessel programme

Actual and forecast expenditure on the Group's new–build vessel programme as at 31 December 2014 was:

	Actual expenditure			Forecast expenditure	
(in $ millions)	2012	2013	2014	2015	2016
Total	185	372	544	700	170

Actual and forecast expenditures include an estimate of capitalised interest during construction as part of the initial cost of the vessels.

Liquidity

As at 31 December 2014, 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 $513 million, all of which 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 2015.

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 as at 31 December 2014.

Outlook

The level of tendering activity for new SURF awards remains subdued as oil companies continue to delay final investment decisions and although there are potential projects expected to be awarded to the market in 2015, the timing remains highly uncertain.

Notwithstanding this, the Group is competitively positioned to win new awards and has a solid backlog for execution in 2015, a robust PLSV business in Brazil and long-term Life of Field projects that extend into 2016 and beyond. This backlog underpins the Group's revenue in 2015, which is expected to be significantly lower than the record revenue reported in 2014.

We took steps in early 2014 to prepare the Group for the downturn, implementing cost reduction programmes and other efficiency improvements. This focus will continue in 2015 as we further reduce the size of our cost base to align the business more closely with market conditions. Nevertheless we expect Adjusted EBITDA margin to decrease in 2015 as a consequence of lower activity levels and pricing pressure.

Despite the near-term challenges the fundamental long-term outlook for deepwater subsea field developments remains intact and Subsea 7 is well positioned to benefit from future improvements in the market.

It is our expertise and experience that make us a top tier service provider and we will protect our core strengths to remain differentiated and support excellent execution.

CONSOLIDATED FINANCIAL STATEMENTS CONTENTS

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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 27 June 2014, we have audited the accompanying Consolidated Financial Statements of Subsea 7 S.A., which comprise the Consolidated Balance Sheet as at 31 December 2014, 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.

Board of Directors' responsibility 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 judgement of the réviseur d'entreprises agréé 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 2014, 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, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the Consolidated Financial Statements and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young S.A.
Société Anonyme
Cabinet de révision agréé

Thierry Bertrand
Luxembourg,

3 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended (in $ millions, except per share data)	Notes	**2014 31 Dec**	2013 31 Dec Re-presented[a]
Revenue	5	**6,869.9**	6,297.1
Operating expenses	7	**(5,694.9)**	(5,560.4)
Gross profit		**1,175.0**	736.7
Administrative expenses	7	**(314.7)**	(296.1)
Impairment of goodwill	13	**(1,183.3)**	–
Share of net income of associates and joint ventures	16	**69.2**	127.1
Net operating (loss)/income		**(253.8)**	567.7
Finance income	9	**19.3**	22.1
Other gains and losses	8	**23.7**	(13.8)
Finance costs	9	**(18.7)**	(70.9)
(Loss)/income before taxes		**(229.5)**	505.1
Taxation	10	**(151.7)**	(160.9)
Net (loss)/income		**(381.2)**	344.2
Net (loss)/income attributable to:			
Shareholders of the parent company		**(337.8)**	349.7
Non-controlling interests	27	**(43.4)**	(5.5)
		(381.2)	344.2

Earnings per share	Notes	**$ per share**	$ per share Re-presented[a]
Basic	12	**(1.02)**	1.05
Diluted[b]	12	**(1.02)**	1.00
Adjusted diluted[b]	12	**2.32**	1.00

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 ‘Assets classified as held for sale’ to the Consolidated Financial Statements.

(b) For explanation and a reconciliation of diluted and Adjusted diluted earnings per share please refer to Note 12 ‘Earnings per share’ to the Consolidated Financial Statements included.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended (in $ millions)	Notes	**2014 31 Dec**	2013 31 Dec Re-presented[(a)]
Net (loss)/income		**(381.2)**	344.2
Items that may be reclassified to the income statement in subsequent periods:			
Foreign currency translation		**(303.3)**	(32.1)
Cash flow hedges:			
Net fair value (losses)/gains arising	35	**(16.2)**	14.2
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	35	**(9.6)**	(5.8)
Adjustments for amounts transferred to the initial carrying amounts of hedged items	35	**0.1**	3.0
Share of other comprehensive income of associates and joint ventures	16	**3.9**	9.5
Tax relating to components of other comprehensive income which may be reclassified	10	**42.3**	16.9
Items that will not be reclassified to the income statement in subsequent periods:			
Remeasurement (losses)/gains on defined benefit pension schemes	38	**(3.5)**	5.5
Tax relating to remeasurement losses/(gains) on defined benefit pension schemes	10	**1.1**	(1.3)
Other comprehensive (loss)/income		**(285.2)**	9.9
Total comprehensive (loss)/income		**(666.4)**	354.1
Total comprehensive (loss)/income attributable to:			
Shareholders of the parent company		**(626.6)**	359.4
Non-controlling interests		**(39.8)**	(5.3)
		(666.4)	354.1

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

As at (in $ millions)	Notes	**2014 31 Dec**	2013 31 Dec Re-presented[(a)]	2012 31 Dec Re-presented[(a)]
Assets				
Non-current assets				
Goodwill	13	**1,322.3**	2,584.6	2,574.8
Intangible assets	14	**21.2**	26.8	26.9
Property, plant and equipment	15	**4,565.0**	4,307.1	3,924.9
Interest in associates and joint ventures	16	**373.8**	310.7	223.1
Advances and receivables	17	**128.3**	136.3	47.4
Derivative financial instruments	35	**3.8**	18.1	20.5
Deferred tax assets	10	**48.2**	48.4	35.4
		6,462.6	7,432.0	6,853.0
Current assets				
Inventories	18	**59.1**	66.5	82.1
Trade and other receivables	19	**840.4**	1,098.6	1,116.2
Derivative financial instruments	35	**28.0**	41.8	53.5
Assets classified as held for sale		**–**	–	11.3
Construction contracts – assets	23	**378.4**	575.0	559.6
Other accrued income and prepaid expenses	22	**283.3**	410.9	472.0
Cash and cash equivalents	24	**572.6**	691.5	1,314.1
		2,161.8	2,884.3	3,608.8
Total assets		**8,624.4**	10,316.3	10,461.8
Equity				
Issued share capital	25	**664.3**	703.6	703.6
Treasury shares	26	**(75.2)**	(356.9)	(443.9)
Paid in surplus		**3,255.5**	3,841.6	3,881.8
Equity reserve	29	**71.2**	248.5	359.2
Translation reserve		**(242.6)**	31.9	44.0
Other reserves		**(73.8)**	(59.5)	(81.3)
Retained earnings		**1,987.5**	2,142.4	1,844.9
Equity attributable to shareholders of the parent company		**5,586.9**	6,551.6	6,308.3
Non-controlling interests	27	**(25.2)**	19.5	24.6
Total equity		**5,561.7**	6,571.1	6,332.9
Liabilities				
Non-current liabilities				
Non-current portion of borrowings	28	**576.2**	641.4	1,048.2
Retirement benefit obligations	38	**21.3**	19.1	23.1
Deferred tax liabilities	10	**117.1**	169.7	111.6
Provisions	32	**30.3**	35.5	38.2
Contingent liability recognised	33	**6.0**	6.8	27.8
Derivative financial instruments	35	**15.3**	12.6	6.7
Other non-current liabilities	30	**93.3**	83.5	9.0
		859.5	968.6	1,264.6
Current liabilities				
Trade and other liabilities	31	**1,674.1**	1,740.7	1,572.3
Derivative financial instruments	35	**25.1**	9.1	31.6
Current tax liabilities		**45.8**	111.8	201.1
Current portion of borrowings	28	**1.9**	275.4	494.5
Provisions	32	**28.9**	19.0	11.8
Construction contracts – liabilities	23	**425.7**	616.7	465.8
Deferred revenue	39	**1.7**	3.9	87.2
		2,203.2	2,776.6	2,864.3
Total liabilities		**3,062.7**	3,745.2	4,128.9
Total equity and liabilities		**8,624.4**	10,316.3	10,461.8

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 ‘Assets classified as held for sale’ to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	**703.6**	**(356.9)**	**3,841.6**	**248.5**	**31.9**	**(59.5)**	**2,142.4**	**6,551.6**	**19.5**	**6,571.1**
Comprehensive (loss)/income										
Net loss	–	–	–	–	–	–	(337.8)	(337.8)	(43.4)	(381.2)
Foreign currency translation	–	–	–	–	(306.9)	–	–	(306.9)	3.6	(303.3)
Cash flow hedges	–	–	–	–	–	(25.7)	–	(25.7)	–	(25.7)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	3.9	–	3.9	–	3.9
Remeasurement losses on defined benefit pension schemes	–	–	–	–	–	(3.5)	–	(3.5)	–	(3.5)
Tax relating to components of other comprehensive income	–	–	–	–	32.4	11.0	–	43.4	–	43.4
Total comprehensive loss	**–**	**–**	**–**	**–**	**(274.5)**	**(14.3)**	**(337.8)**	**(626.6)**	**(39.8)**	**(666.4)**
Transactions with owners										
Shares repurchased	–	(157.0)	–	–	–	–	–	(157.0)	–	(157.0)
Shares reissued to convertible bondholders	–	21.8	–	–	–	–	–	21.8	–	21.8
Dividends declared	–	–	(200.0)	–	–	–	–	(200.0)	(4.9)	(204.9)
Equity component of convertible bonds	–	–	–	(177.3)	–	–	177.3	–	–	–
Share-based compensation	–	–	7.7	–	–	–	–	7.7	–	7.7
Vesting of share-based payments	–	–	(26.5)	–	–	–	26.5	–	–	–
Shares reissued relating to share-based payments	–	14.1	–	–	–	–	–	14.1	–	14.1
Loss on reissuance of treasury shares	–	–	–	–	–	–	(20.9)	(20.9)	–	(20.9)
Tax effects	–	–	(3.8)	–	–	–	–	(3.8)	–	(3.8)
Shares cancelled	(39.3)	402.8	(363.5)	–	–	–	–	–	–	–
Total transactions with owners	**(39.3)**	**281.7**	**(586.1)**	**(177.3)**	**–**	**–**	**182.9**	**(338.1)**	**(4.9)**	**(343.0)**
Balance at 31 December 2014	**664.3**	**(75.2)**	**3,255.5**	**71.2**	**(242.6)**	**(73.8)**	**1,987.5**	**5,586.9**	**(25.2)**	**5,561.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserve	Other reserves	Retained earnings Re-presented[(a)]	Total Re-presented[(a)]	Non-controlling interests Re-presented[(a)]	Total equity Re-presented[(a)]
Balance at 1 January 2013	**703.6**	**(443.9)**	**3,881.8**	**359.2**	**44.0**	**(81.3)**	**1,844.9**	**6,308.3**	**24.6**	**6,332.9**
Comprehensive income/(loss)										
Net income/(loss)	–	–	–	–	–	–	349.7	349.7	(5.5)	344.2
Foreign currency translation	–	–	–	–	(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 (loss)/income	**–**	**–**	**–**	**–**	**(12.1)**	**21.8**	**349.7**	**359.4**	**(5.3)**	**354.1**
Transactions with owners										
Shares repurchased	–	(91.2)	–	–	–	–	–	(91.2)	–	(91.2)
Shares reissued to convertible noteholders	–	175.1	–	–	–	–	–	175.1	–	175.1
Dividends declared	–	–	–	–	–	–	(199.3)	(199.3)	–	(199.3)
Equity component of convertible bonds	–	–	–	(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 relating to share-based payments	–	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)**	**2,142.4**	**6,551.6**	**19.5**	**6,571.1**

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 'Assets classified as held for sale' to the Consolidated Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT

7

For the year ended (in $ millions)	Notes	**2014 31 Dec**	2013 31 Dec Re-presented[(a)]
Net cash generated from operating activities	40	**1,449.7**	1,032.5
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**1.3**	18.6
Purchases of property, plant and equipment		**(861.2)**	(787.5)
Purchases of intangible assets		**(6.4)**	(6.1)
Shareholder loan to joint venture		**–**	(115.3)
Loan repayments from joint venture		**–**	21.6
Interest received		**19.3**	22.1
Dividends received from associates and joint ventures		**19.3**	23.7
Investment in associates and joint ventures		**(0.1)**	(1.4)
Net cash used in investing activities		**(827.8)**	(824.3)
Cash flows from financing activities			
Interest paid		**(24.3)**	(42.8)
Repayments of borrowings		**–**	(158.1)
Cost of share repurchases		**(165.7)**	(82.6)
Dividends paid to equity shareholders of the parent company		**(194.6)**	(199.3)
Redemption of convertible bonds/notes		**(182.0)**	(337.2)
Repurchase of convertible bonds		**(154.9)**	–
Proceeds from reissuance of treasury shares		**1.3**	1.8
Dividends paid to non-controlling interests		**–**	(2.9)
Net cash used in financing activities		**(720.2)**	(821.1)
Net decrease in cash and cash equivalents		**(98.3)**	(612.9)
Cash and cash equivalents at beginning of year		**691.5**	1,314.1
Effect of foreign exchange rate movements on cash and cash equivalents		**(20.6)**	(9.7)
Cash and cash equivalents at end of year		**572.6**	691.5

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 21 ‘Assets classified as held for sale’ to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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 address of the registered office is 412F, route d'Esch, L-2086 Luxembourg.

Subsea 7 is a seabed-to-surface engineering, construction and services contractor to the offshore energy industry worldwide. The 'Group' consists of Subsea 7 S.A. and its subsidiaries at 31 December 2014.

The Group 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

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 3 March 2015.

Presentation of Consolidated Financial Statements

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

Amounts in the Consolidated Financial Statements are stated 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'.

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 2014.

The Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted are consistent with the Consolidated Financial Statements for the year ended 31 December 2013, except where noted in Note 2 'Adoption of new accounting standards'. Certain comparative information has been re-presented due to the declassification of investments in Sonamet and Sonacergy as assets held for sale as detailed in Note 21 'Assets classified as held for sale'.

2. Adoption of new accounting standards

(i) Effective new accounting standards

The Group adopted the following new or amended International Financial Reporting Standards (IFRS) and interpretations which were effective for the financial year beginning on 1 January 2014:

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 charge has been recognised or reversed during the year. These amendments have been adopted in Note 13 'Goodwill'.

IFRS 12 'Disclosure of Interests in Other Entities'

IFRS 12 includes all of the disclosures that were previously contained in IAS 27 'Separate Financial Statements' 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. The revised disclosures are detailed in Note 16 'Interest in associates and joint ventures' and Note 27 'Non-controlling interests'.

The Group also adopted the following new or amended International Financial Reporting Standards (IFRS) and interpretations which were effective for the financial year beginning on 1 January 2014. These new or amended standards and interpretations did not have a significant impact on the Group's financial position or performance:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IAS 27 'Separate Financial Statements'
- IAS 28 'Investments in Associates and Joint Ventures'
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- IFRIC 21 Levies
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle

(ii) Accounting standards, amendments and interpretations issued but not yet effective
The following new IFRS standards may be of significance to the Group but have not yet been fully assessed or early adopted:

IFRS 9 'Financial Instruments'
IFRS 9, as issued, reflects the first phase of the International Accounting Standard Board's (IASB) 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 the classification and measurements of the Group's financial liabilities. The Group will assess the effect in conjunction with the other phases once issued by the IASB.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15, as issued, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Upon its effective date, IFRS 15 will supersede all existing revenue standards and interpretations. In particular, the standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts', upon which the Group's current revenue recognition policies are based.

IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expected to be entitled in exchange for those goods and services. IFRS 15 is effective for reporting periods beginning on or after 15 December 2016, with early adoption permitted. We expect the adoption of this standard may have an impact on the timing of revenue recognition and will result in additional disclosure. The Group will evaluate the impact of the requirements of IFRS 15 during 2015.

Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16
The amendments to IAS 16 'Property, Plant and Equipment' prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The Group is evaluating the requirements to determine the effect these may have on its depreciation and amortisation policies.

There are no other IFRSs or interpretations which are not yet effective which would be expected to have a material impact on the Group's financial position, performance or disclosure obligations.

3. Significant accounting policies
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 Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

The Group consolidates non-wholly owned subsidiaries where it exercises a controlling influence despite holding less than 50% of the voting rights, as it is deemed to have *de facto* control.

Subsidiaries
Assets, liabilities, income and expenses of a subsidiary are included in the Consolidated Financial Statements from the date the Group obtains control over the subsidiary until the date the Group ceases to control the subsidiary. Changes in the Group's interest in a subsidiary that do not result in the Group ceasing to control that subsidiary are accounted for as equity transactions.

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 wholly owned (100%) except those listed in Note 27 'Non-controlling interests'. Non-controlling interests comprise equity interests in subsidiaries which are not attributable, directly or indirectly to the Company. 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 the Group obtains control over the subsidiary together with the non-controlling shareholders' share of net income and share of other comprehensive income since that date.

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.

3. Significant accounting policies *continued*

Investments in associates and joint ventures *continued*

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided by the Group 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, including long-term PLSV contracts in Brazil, are recognised on an accrual basis as services are provided.

Long-term construction contracts

The Group accounts for long-term construction contracts, including engineering, procurement, installation and commissioning (EPIC) contracts, 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 those costs will be recoverable.

A significant portion of the Group's revenue is invoiced under fixed-price contracts. However, due to the nature of the services performed, variation orders and claims are commonly invoiced 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. Additional contract revenue resulting from claims is recognised 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 construction 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.

Dry-dock, mobilisation and decommissioning expenditure

Dry-dock expenditure incurred to maintain a vessel's classification is capitalised in the Consolidated Balance Sheet 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 expenditure, which consists of expenditure incurred prior to the deployment of vessels or equipment, is 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, together with a corresponding amount capitalised as property, plant and equipment, 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.

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 in the Consolidated Balance Sheet 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 leased to third parties are presented in the Consolidated Balance Sheet as a finance lease 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 intra-group balances denominated in non-functional currencies are recognised in the Consolidated Income Statement. Revaluations of long-term intra-group 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 2014, the main exchange rates of the major currencies used throughout the Group, compared to the US Dollar, were as follows:

GBP	0.641
EUR	0.818
NOK	7.424
BRL	2.665

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 Consolidated Balance Sheet with a corresponding adjustment to equity through Other Comprehensive Income in the period in which they occur. Remeasurements are not reclassified to the Consolidated Income Statement in subsequent periods.

Past service costs are recognised in the Consolidated Income Statement 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 portions of the following changes in the net defined benefit obligation under both 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 periods 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.

3. Significant accounting policies *continued*

Income tax *continued*

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 the Consolidated Statement of Comprehensive Income or the equity component of the Consolidated Balance Sheet, in which case the deferred tax is also dealt with in the Consolidated Statement of Comprehensive Income or the equity component of the Consolidated Balance Sheet.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current 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.

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 the date of initial acquisition. Following initial recognition, intangible assets are measured at cost less amortisation and impairment charges. 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 least annually. 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 that it can meet the criteria for recognition specified in IAS 38 'Intangible Assets'.

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

Property, plant and equipment

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

Assets under construction are carried at cost, less any recognised impairment charge. Depreciation of these assets commences when the assets become operational and either commence activities or are deemed to be in service.

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 of assets are determined as the difference between any disposal 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.

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 in the Consolidated Income Statement 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 of disposal 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.

3. Significant accounting policies *continued*

Impairment of non-financial assets *continued*

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 of disposal, an appropriate valuation model is used.

Impairment charges 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 charges 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 charge is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment charge 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 charge been recognised for the asset in prior periods. 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 forecasts 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 charge 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 impairment amount is recognised in the Consolidated Income Statement.

Inventories

Inventories comprise consumables, materials and spares and are valued at the lower of cost and net realisable value.

Financial instruments

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

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

All financial instruments are initially measured at cost plus transactions costs, with the exception of those classified as fair value through profit or loss and all derivative financial instruments which are measured at fair value.

Derivative financial instruments

The Group enters into both derivative financial instruments and non-derivative financial instruments in order to manage its foreign currency exposures. The principal derivative financial instruments 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.

Derivative financial instruments embedded in other financial instruments or other host contracts are treated as separate derivative financial instruments 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 derivative financial instruments 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.

After initial recognition the fair values of derivative financial instruments are measured on bid prices for assets held and offer prices for issued liabilities based on values quoted in active markets. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting (including embedded derivative financial instruments) 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.

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 revolving credit facilities are included within current borrowings.

Trade receivables and other receivables
The Group assesses at each balance sheet date whether any indicators 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, or part of the amounts due. Impaired trade receivables are derecognised when they are fully 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
The components of the convertible bonds issued by the Group that exhibit characteristics of a liability are recognised as a liability, net of transaction costs, in the Consolidated Balance Sheet. On issuance of convertible bonds, the fair value of the liability component is 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 interest 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, net of transaction costs, is allocated to the conversion option which is recognised and included in equity reserves within shareholders' equity. The carrying value of the conversion option is not remeasured.

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

Treasury shares
Treasury shares are the Group's own equity instruments which are reacquired and deducted from equity at cost. Gains or losses realised or incurred on the purchase, sale, issue or cancellation of the Group's own equity instruments are recognised directly in the equity component of the Consolidated Balance Sheet. No gains or losses are recognised in the Consolidated Income Statement.

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 that 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. An associated provision is recognised if it is probable that a liability has been incurred and the amount of the loss can be reliably estimated.

Other contingent liabilities are disclosed in the Notes to the Consolidated Financial Statements, 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).

3. Significant accounting policies *continued*

Share-based payments *continued*

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 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

Revenue recognition on long-term construction contracts

The Group accounts for long-term construction contracts, including engineering, procurement, installation and commissioning (EPIC) 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 to 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 are not adjusted.

The percentage-of-completion method requires the Group to make reliable estimates of costs incurred, full project contract costs and full project contract revenues. The Group's Project Monthly Status Reports (PMSRs) evaluate the likely outcome of each individual project 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 project 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 policy. No profit relating to any variation order or claim is recognised until 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 future asset utilisation, profitability, remaining life and the discount rate used.

Recognition of provisions and disclosure of contingent liabilities

In the ordinary course of business, the Group becomes involved in contract disputes from time-to-time due to the nature of its activities as a contracting business involved in multiple 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 likely 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 incur additional expenditures in excess of provisions that it may have established.

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 32 'Provisions' and Note 33 '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 differs 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'.

5. Revenue

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

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
SURF	**5,303.0**	4,559.4
Conventional and Hook-up	**705.0**	735.8
Life of Field	**642.2**	777.0
i-Tech	**219.7**	224.9
Total revenue	**6,869.9**	6,297.1

6. Segment information

During 2014, for management and reporting purposes, the Group was organised into four Territories, which were representative of its principal activities. The Corporate segment included all activities that served more than one Territory. All assets were allocated between Territories. Reporting segments in place for the duration of 2014 are defined below:

Africa, Gulf of Mexico & Mediterranean (AFGOM)

This segment included activities in Africa, the US and Mexico, fabrication yards in Warri, Nigeria; Lobito, Angola and Port Gentil, Gabon and spoolbases in Luanda, Angola and Port Isabel, US. It also included the SIMAR and Nigerstar 7 joint ventures.

Asia Pacific & Middle East (APME)

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

Brazil (BRAZIL)

This segment included activities in Brazil including a spoolbase at Ubu.

North Sea & Canada (NSC)

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

Corporate (CORP)

This segment included all activities that serve more than one Territory and included: management of offshore resources; captive insurance activities and management and corporate services. It also included the results of the Seaway Heavy Lifting joint venture.

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 2014

(in $ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Selected financial information:						
Revenue[(a,b)]	**2,464.4**	**910.5**	**954.1**	**2,532.9**	**8.0**	**6,869.9**
Operating expenses	**(2,074.2)**	**(838.0)**	**(724.0)**	**(2,042.1)**	**(16.6)**	**(5,694.9)**
Impairment of goodwill	**(364.4)**	**–**	**(283.1)**	**(535.8)**	**–**	**(1,183.3)**
Share of net income of associates and joint ventures	**4.2**	**42.9**	**–**	**5.9**	**16.2**	**69.2**
Depreciation, mobilisation and amortisation expenses	**(123.3)**	**(7.6)**	**(119.5)**	**(80.8)**	**(89.3)**	**(420.5)**
Impairment of property, plant and equipment	**(9.4)**	**–**	**–**	**–**	**(79.4)**	**(88.8)**
Reconciliation of net operating income to income before taxes:						
Net operating income/(loss) excluding goodwill impairment	**297.2**	**90.2**	**198.5**	**423.0**	**(79.4)**	**929.5**
Net operating (loss)/income including goodwill impairment	**(67.2)**	**90.2**	**(84.6)**	**(112.8)**	**(79.4)**	**(253.8)**
Finance income						**19.3**
Other gains and losses						**23.7**
Finance costs						**(18.7)**
Loss before taxes						**(229.5)**

(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) Three clients in the year accounted for more than 10% of the Group's revenue. The revenue from these clients and the attributable segments were $1,176.3 million (AFGOM, APME, BRAZIL AND NSC), $1,155.3 million (AFGOM, APME, NSC and BRAZIL), and $949.4 million (AFGOM and BRAZIL).

For the year ended 31 December 2013

(in $ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Selected financial information:						
Revenue[a,b]	2,453.6	498.1	814.1	2,514.0	17.3	6,297.1
Operating (expenses)/income – re-presented	(1,950.2)	(455.5)	(1,100.5)	(2,054.2)	–	(5,560.4)
Share of net income/(loss) of associates and joint ventures	0.4	67.8	(1.0)	5.3	54.6	127.1
Depreciation, mobilisation and amortisation expenses – re-presented	(126.3)	(6.8)	(73.7)	(85.6)	(84.0)	(376.4)
Impairment of property, plant and equipment	–	–	–	–	(36.7)	(36.7)
Reconciliation of net operating income to income before taxes:						
Net operating income/(loss) – re-presented	396.5	86.1	(317.5)	394.9	7.7	567.7
Finance income						22.1
Other gains and losses						(13.8)
Finance costs						(70.9)
Income before taxes – re-presented						505.1

(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 $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).

Geographic information

Revenues from external clients

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)	**2014 31 Dec**	2013 31 Dec
United Kingdom	**2,377.2**	2,169.9
Norway	**1,090.9**	1,033.4
Nigeria	**651.8**	625.1
France	**429.6**	488.8
Brazil	**360.2**	440.1
Australia	**848.3**	430.0
Angola	**415.7**	351.2
United States of America	**307.2**	298.8
Other countries	**389.0**	459.8
	6,869.9	6,297.1

Non-current assets

Goodwill is allocated to operating segments rather than individual legal entities therefore it is not possible to allocate it 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, non-current assets excluding goodwill, derivative financial instruments and deferred tax assets are located in the following countries:

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
United Kingdom	**3,270.2**	2,765.7
Norway	**420.2**	415.5
Gibraltar	**314.8**	249.1
Angola	**200.0**	217.6
Cyprus	**140.3**	176.7
Isle of Man	**103.5**	150.8
Other countries	**639.3**	805.5
	5,088.3	4,780.9

7. Net operating (loss)/income

Net operating (loss)/income includes:

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Research and development costs	**19.5**	14.1
Employee benefits	**1,984.0**	1,876.9
Depreciation of property, plant and equipment (Note 15)	**392.5**	357.1
Amortisation of intangible assets (Note 14)	**11.2**	9.5
Mobilisation costs	**16.8**	9.8
Impairment of goodwill	**1,183.3**	–
Net impairment of property, plant and equipment (Note 15)	**88.8**	36.7
Auditor's remuneration	**3.7**	2.4

Fees billed to the Group by the principal auditing firm Ernst & Young S.A. and other member firms of Ernst & Young Global Limited were:

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
Audit fees[(a)]	**1.3**	1.6
Audit-related fees[(a)]	**0.1**	0.1
Tax fees[(a)]	**0.8**	0.7
Other fees[(a)]	**1.5**	–
	3.7	2.4

(a) In the prior year auditor remuneration was paid to Deloitte Audit Société à responsabilité limitée and other member firms of Deloitte Touche Tohmatsu Limited.

Reconciliation of operating expenses and administrative expenses by nature

	31 Dec 2014			31 Dec 2013		
For the year ended (in $ millions)	**Operating expenses**	**Administration expenses**	**Total expenses**	Operating expenses Re-presented	Administration expenses	Total expenses Re-presented
Employee benefits	**1,789.8**	**194.2**	**1,984.0**	1,663.9	213.0	1,876.9
Depreciation, amortisation and mobilisation	**399.2**	**21.3**	**420.5**	356.9	19.5	376.4
Net impairment of property, plant and equipment	**88.8**	**–**	**88.8**	36.7	–	36.7
Other expenses	**3,417.1**	**99.2**	**3,516.3**	3,502.9	63.6	3,566.5
Total	**5,694.9**	**314.7**	**6,009.6**	5,560.4	296.1	5,856.5

8. Other gains and losses

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
(Losses)/gains on disposal of property, plant and equipment	**(1.4)**	12.1
Net gain on derivative financial instruments	**1.3**	1.6
Net foreign currency exchange gains/(losses)	**23.8**	(27.5)
Total	**23.7**	(13.8)

9. Finance income and costs

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
Interest income	**19.3**	22.1
Total finance income	**19.3**	22.1

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
Interest and fees on borrowings	**11.1**	18.7
Interest on convertible bonds and convertible notes (Note 29)	**29.8**	59.4
Total borrowing costs	**40.9**	78.1
Less: amounts capitalised and included in the cost of qualifying assets	**(18.9)**	(12.8)
	22.0	65.3
Interest on tax liabilities	**(3.3)**	5.6
Total finance costs	**18.7**	70.9

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 3.6% dependent on the funding source (2013: between 3.5% and 4.8%)

10. Taxation

Tax recognised in the Consolidated Income Statement

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
Tax charged/(credited) in the Consolidated Income Statement		
Current tax:		
Corporation tax on income for the year	**184.8**	155.2
Adjustments in respect of prior years	**(9.8)**	(37.8)
Total current tax	**175.0**	117.4
Deferred tax (credit)/charge	**(23.3)**	43.5
Total	**151.7**	160.9

Tax recognised in the Consolidated Statement of Comprehensive Income

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
Tax (credit)/charge relating to items recognised directly in comprehensive income		
Current tax on:		
Exchange differences	**(32.4)**	(20.2)
Income tax recognised directly in comprehensive income	**(32.4)**	(20.2)
Deferred tax on:		
Net (losses)/gains on revaluation of cash flow hedges	**(9.9)**	3.3
Actuarial (losses)/gains on defined benefit pension plans	**(1.1)**	1.3
Deferred tax recognised directly in comprehensive income	**(11.0)**	4.6
Total	**(43.4)**	(15.6)

Deferred tax recognised in the Consolidated Statement of Changes in Equity

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
Share-based payments	**3.6**	0.2
Total	**3.6**	0.2

10. Taxation *continued*

Reconciliation of the total tax charge

Income taxes have been provided based on the tax laws and rates in the countries where the Group operates and generates 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 tax rate used in 2014 for the purpose of the reconciliation of the total tax charge is 29.22% and 2013, previously reconciled to 28%, has been restated to reflect this rate. 29.22% corresponds to the blended tax rate applicable to Luxembourg entities.

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec Restated
(Loss)/income before taxes	**(229.5)**	505.1
Tax at the blended tax rate of 29.22% (2013: 29.22%)	**(67.0)**	147.5
Effects of:		
Benefit of tonnage tax regimes	**(29.1)**	(25.5)
Different tax rates of subsidiaries operating in other jurisdictions	**(125.6)**	(46.5)
Movement in unprovided deferred tax[(a)]	**76.0**	170.4
Net income not subject to tax	**–**	(16.7)
Tax effect of share of net income of associates and joint ventures	**(20.2)**	(35.0)
Withholding taxes and unrelieved overseas taxes	**40.9**	6.8
Changes in tax rates	**0.8**	(9.3)
Other permanent differences	**(6.6)**	(9.9)
Impairment of goodwill not deductible	**311.6**	–
Adjustments related to prior years	**(29.1)**	(20.9)
Tax charge in the Consolidated Income Statement	**151.7**	160.9

(a) The movement in unprovided deferred tax in 2014 mainly related to net operating losses arising on the Guará-Lula NE project in Brazil.

Deferred tax

Movements in the net deferred tax balance were:

(in $ millions)	**2014**	2013
At year beginning	**(121.3)**	(76.2)
Credited/(charged) to:		
Consolidated Income Statement	**23.3**	(43.5)
Consolidated Statement of Comprehensive Income	**11.0**	(4.6)
Consolidated Statement of Changes in Equity	**(3.6)**	(0.2)
Transfer to current tax	**18.0**	–
Exchange differences	**3.7**	3.2
At year end	**(68.9)**	(121.3)

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 2014

(in $ millions)	Deferred tax asset	Deferred tax liability	Net recognised deferred tax asset/(liability)
Property, plant and equipment	**4.1**	**(86.7)**	**(82.6)**
Accrued expenses	**10.6**	**(11.6)**	**(1.0)**
Share-based payments	**0.2**	**–**	**0.2**
Unremitted earnings	**–**	**(16.3)**	**(16.3)**
Intangibles	**–**	**–**	**–**
Tax losses	**26.9**	**–**	**26.9**
Other	**3.9**	**–**	**3.9**
Total	**45.7**	**(114.6)**	**(68.9)**

As at 31 December 2013

(in $ millions)	Deferred tax asset	Deferred tax liability	Net recognised deferred tax asset/(liability)
Property, plant and equipment	–	(114.2)	(114.2)
Accrued expenses	8.5	(32.0)	(23.5)
Share-based payments	4.6	–	4.6
Unremitted earnings	–	(16.3)	(16.3)
Intangibles	–	(1.8)	(1.8)
Tax losses	39.0	–	39.0
Other	–	(9.1)	(9.1)
Total	52.1	(173.4)	(121.3)

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

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec
Deferred tax assets	**48.2**	48.4
Deferred tax liabilities	**(117.1)**	(169.7)
Total	**(68.9)**	(121.3)

At the balance sheet date, the Group had tax losses of $535.3 million (2013: $635.7 million) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of $88.6 million (2013: $131.4 million) of such losses. No deferred tax asset has been recognised in respect of the remaining $446.7 million (2013: $504.3 million) as it is not considered probable that there will be sufficient future taxable profits available for these to offset. In addition, the Group has other unrecognised deferred tax assets of approximately $162.6 million (2013: $2.1 million) in respect of deferred project expenditure and 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 were not recognised was $1,146.2 million (2013: $919.4 million).

Tonnage tax regime

The Group re-elected into the UK tonnage tax regime during 2014. This election is valid for ten years. The tax charge reflected a net benefit in the year of $29.1 million (2013: $25.5 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)

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

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec
Within five years	**33.7**	72.0
5 to 10 years	**190.0**	68.8
11 to 20 years	**73.1**	63.8
Without time limit	**238.5**	431.1
Total	**535.3**	635.7

There were $112.2 million NOLs included in the above relating to Brazil on which no deferred tax asset was recognised by the Group at 31 December 2014 (2013: $317.5 million).

Included in the above were $84.8 million of losses relating to Luxembourg, which could be subject to future claw-back if certain transactions were entered into.

The prior year comparison included $12.2 million of s.163j deferred interest deductions in the US. Given the reducing quantum of this balance these deductions, which amounted to $10.5 million as at 31 December 2014, have been excluded from the above analysis. As at 31 December 2014 the Group had access to unrestricted losses in the US of $90.2 million (2013: $63.8 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.

10. Taxation *continued*

Tax contingencies and provisions *continued*

In 2014, 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 $34.1 million (2013: $32.7 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 dividend

A final dividend of NOK 3.60 per common share that related to the year ended 31 December 2013 was approved by the shareholders at the Annual General Meeting on 27 June 2014 and recognised in shareholders' equity in June 2014. The total dividend of $194.6 million was paid in July 2014 to shareholders of record as of 2 July 2014.

In 2013, a dividend of $199.3 million ($0.60 per common share) was paid which related to the year ended 31 December 2012.

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 repurchased by the Group and held as treasury shares (Note 26 '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 potentially dilutive common shares include those related to convertible bonds, share options, performance shares and restricted shares. The convertible bonds are assumed to have been converted into common shares and the net income is adjusted to eliminate the interest expense (net of capitalised interest). 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)	**2014 31 Dec**	2013 31 Dec Re-presented
Net (loss)/income attributable to shareholders of the parent company	**(337.8)**	349.7
Interest on convertible bonds and convertible notes (net of amounts capitalised)	**–**	24.8
Earnings used in the calculation of diluted earnings per share	**(337.8)**	374.5

For the year ended	**2014 31 Dec Number of shares**	2013 31 Dec Number of shares
Weighted average number of common shares used in the calculation of basic earnings per share	**330,784,021**	332,942,490
Convertible bonds	**–**	40,717,826
Share options, performance shares and restricted shares	**–**	1,036,804
Weighted average number of common shares used in the calculation of diluted earnings per share	**330,784,021**	374,697,120

For the year ended (in $ per share)	**2014 31 Dec**	2013 31 Dec Re-presented
Basic earnings per share	**(1.02)**	1.05
Diluted earnings per share	**(1.02)**	1.00

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 ended	**2014 31 Dec Number of shares**	2013 31 Dec Number of shares
Convertible bonds and convertible notes	**37,333,844**	17,972,898
Share options, performance shares and restricted shares	**2,844,471**	2,338,737

Adjusted diluted earnings per share

Adjusted diluted earnings per share represents diluted earnings per share excluding the goodwill impairment charge of $1,183 million. The income and share data used in the calculation of Adjusted diluted earnings per share were as follows:

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Net loss attributable to shareholders of the parent company	**(337.8)**	349.7
Impairment of goodwill	**1,183.3**	–
Interest on convertible bonds and convertible notes (net of amounts capitalised)	**10.9**	24.8
Earnings used in the calculation of Adjusted diluted earnings per share	**856.4**	374.5

For the year ended	**2014 31 Dec Number of shares**	2013 31 Dec Number of shares
Weighted average number of common shares used in the calculation of basic earnings per share	**330,784,021**	332,942,490
Convertible bonds	**37,333,844**	40,717,826
Share options, performance shares and restricted shares	**892,643**	1,036,804
Weighted average number of common shares used in the calculation of Adjusted diluted earnings per share	**369,010,508**	374,697,120

For the year ended (in $ per share)	**2014 31 Dec**	2013 31 Dec Re-presented
Adjusted diluted earnings per share	**2.32**	1.00

13. Goodwill

The movement in goodwill during the year was as follows:

(in $ millions)	**2014**	2013
At year beginning	**2,584.6**	2,574.8
Impairment charge	**(1,183.3)**	–
Exchange differences	**(79.0)**	9.8
At year end	**1,322.3**	2,584.6

The carrying amounts of goodwill allocated to the cash-generating units were as follows:

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec
AFGOM	**368.9**	762.3
APME	**391.2**	390.1
Brazil	**–**	298.2
i-Tech	**69.8**	71.4
NSC	**492.4**	1,062.6
Total	**1,322.3**	2,584.6

The Group performed its annual impairment test as at 31 December 2014.

The recoverable amounts of the cash-generating units (CGUs) were determined based on a value-in-use calculation using cash flow projections approved by the Executive Management Team covering a five-year period. Cash flows beyond this five-year period were extrapolated in perpetuity, using a 2.0% (2013: 3.0%) growth rate to determine the terminal value. The pre-tax discount rate applied to cash flow projections was 11.8% (2013: 10.1%).

Following the annual impairment review, the impairment charge recognised in the Consolidated Income Statement in respect of goodwill was as follows:

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
AFGOM	**364.4**	–
Brazil	**283.1**	–
NSC	**535.8**	–
Total	**1,183.3**	–

13. Goodwill *continued*

At 31 December 2014, the recoverable amounts relating to AFGOM, Brazil and NSC were $1.8 billion, $1.5 billion and $2.0 billion respectively. Decreases in the recoverable amounts related to the CGUs arose as a result of changes to the discount rate and assumed growth rate, and a decline in expectations of future oil prices, which in the near-term are expected to impact negatively on the projected levels of investment and activity in the oil and gas sector. In the case of Brazil the decrease in the recoverable amount was further affected by the Group's decision to focus on day-rate projects and non-pre-salt EPIC contracts until such time as the risk-reward profile of pre-salt EPIC projects becomes acceptable to the Group.

Key assumptions used in value-in-use calculations

The calculations of value-in-use for all CGUs are most sensitive to the following assumptions:

- EBITDA forecasts;
- discount rates; and
- the growth rate used to extrapolate cash flows.

EBITDA forecast – The EBITDA forecast for each CGU is dependent on a combination of factors including market size, market share, contractual backlog, gross margins, future project awards and asset utilisation. Assumptions are based on a combination of internal and external studies, management judgement and historical information, adjusted for any foreseen changes in market conditions.

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.

Growth rate estimates – The 2.0% (2013: 3.0%) growth rate used to extrapolate the cash flow projections beyond the five-year period is broadly consistent with market expectations for long-term growth in the subsea industry and assumes no significant change in the Group's market share and the range of services and products provided.

Sensitivity to changes in assumptions

In determining the value-in-use recoverable amount for each CGU, management applied sensitivities to each of the key assumptions noted above. In respect of EBITDA forecasts, management have considered a number of scenarios which include a multi-year downturn in the subsea sector, and have assessed the level of capital expenditure required for the Group to remain as a leading contractor within the subsea sector.

CGUs not impaired and not sensitive to impairment

Management has concluded that no reasonably possible change in any of the key assumptions would, in isolation, cause the carrying amount of the i-Tech CGU to materially exceed its recoverable amount and hence no goodwill impairment charge was recognised.

CGUs not impaired but sensitive to impairment

The recoverable amount of APME exceeded the carrying amount by $67 million. A sensitivity analysis of key assumptions was performed. The following changes in key assumptions, in isolation, would cause the recoverable amount to equal the carrying value:

- 0.6 percentage point increase in the pre-tax discount rate
- 0.7 percentage point reduction in the long-term growth rate
- 5.8 percent decrease in EBITDA upon which terminal values have been calculated.

CGUs where goodwill has been impaired

Following the recognition of the impairment charge, the carrying values of the Group's operations in AFGOM and NSC are equal to their estimated recoverable amounts, consequently any future adverse changes in the key assumptions in isolation will result in a further impairment charge being recorded. The Group fully impaired the goodwill related to its operations in Brazil, consequently any future adverse changes in the key assumptions in isolation would not result in a further impairment charge being recorded.

Changes to key assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease in the aggregate goodwill impairment charge recognised in the year ended 31 December 2014 as follows:

(in $ millions)	AFGOM	BRAZIL	NSC
Pre-tax discount rate			
Increase by 1 percentage point	(237.1)	–	(264.8)
Decrease by 1 percentage point	298.4	183.8	330.2
Long-term growth rate			
Increase by 1 percentage point	226.0	122.6	238.0
Decrease by 1 percentage point	(184.2)	–	(194.0)
EBITDA upon which terminal values have been calculated			
Decrease by 5 percent	(124.3)	–	(148.3)
Increase by 5 percent	124.3	75.0	148.3

14. Intangible assets

(in $ millions)	Software	Customer contracts (Backlog)	Developed technology	Other intangibles	Total
Cost					
At 1 January 2013 – re-presented	22.0	32.5	13.1	6.4	74.0
Additions	9.3	–	–	–	9.3
Disposals	(1.1)	–	–	–	(1.1)
Exchange differences	0.4	–	0.1	–	0.5
At 31 December 2013 – re-presented	30.6	32.5	13.2	6.4	82.7
Additions	6.4	–	–	–	6.4
Disposals	–	(32.5)	–	–	(32.5)
Exchange differences	(1.7)	–	(0.6)	(0.1)	(2.4)
At 31 December 2014	**35.3**	**–**	**12.6**	**6.3**	**54.2**
Amortisation					
At 1 January 2013 – re-presented	11.8	27.0	5.3	3.0	47.1
Charge for the year	4.5	2.4	2.5	0.1	9.5
Disposals	(1.1)	–	–	–	(1.1)
Exchange differences	0.2	–	0.2	–	0.4
At 31 December 2013 – re-presented	15.4	29.4	8.0	3.1	55.9
Charge for the year	5.2	3.1	2.7	0.2	11.2
Disposals	–	(32.5)	–	–	(32.5)
Exchange differences	(1.1)	–	(0.5)	–	(1.6)
At 31 December 2014	**19.5**	**–**	**10.2**	**3.3**	**33.0**
Carrying amount:					
At 31 December 2013 – re-presented	15.2	3.1	5.2	3.3	26.8
At 31 December 2014	**15.8**	**–**	**2.4**	**3.0**	**21.2**

Included in the table above is software under construction of $3.1 million (2013: 2.0 million).

15. Property, plant and equipment

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2013 – re-presented	4,170.7	428.7	373.9	80.0	5,053.3
Additions	669.9	57.7	56.9	26.8	811.3
Exchange differences	(9.4)	2.5	(13.8)	(0.3)	(21.0)
Disposals	(20.0)	(5.5)	–	(4.3)	(29.8)
At 31 December 2013 – re-presented	4,811.2	483.4	417.0	102.2	5,813.8
Additions	696.2	94.3	79.1	8.1	877.7
Exchange differences	(101.3)	(9.1)	(33.2)	(6.5)	(150.1)
Disposals	(72.2)	–	0.2	(13.0)	(85.0)
At 31 December 2014	**5,333.9**	**568.6**	**463.1**	**90.8**	**6,456.4**
Accumulated depreciation and impairment					
At 1 January 2013 – re-presented	915.3	93.4	65.7	54.0	1,128.4
Charge for the year	281.3	39.5	20.9	15.4	357.1
Impairment	36.7	–	–	–	36.7
Exchange differences	1.2	0.8	1.0	(0.3)	2.7
Eliminated on disposals	(12.1)	(2.8)	–	(3.3)	(18.2)
At 31 December 2013 – re-presented	1,222.4	130.9	87.6	65.8	1,506.7
Charge for the year	296.9	54.5	26.2	14.9	392.5
Impairment	65.9	22.9	–	–	88.8
Exchange differences	(22.0)	0.4	(4.4)	(4.6)	(30.6)
Eliminated on disposals	(53.0)	–	–	(13.0)	(66.0)
At 31 December 2014	**1,510.2**	**208.7**	**109.4**	**63.1**	**1,891.4**
Carrying amount:					
At 31 December 2013 – re-presented	3,588.8	352.5	329.4	36.4	4,307.1
At 31 December 2014	**3,823.7**	**359.9**	**353.7**	**27.7**	**4,565.0**

The table above includes assets under construction of $955.9 million (2013: $742.8 million) including *Seven Kestrel*, *Seven Arctic* and the new-build PLSVs, *Seven Sun*, *Seven Rio* and *Seven Cruzerio*, linked to long-term contracts with Petrobras.

During the year, impairment charges totalling $88.8 million (2013: $36.7 million) were recognised in respect of property, plant and equipment where the future recoverable amounts were reassessed and reduced. The impairment charges were recognised in the Consolidated Income Statement in operating expenses with $79.4 million recognised within the Corporate segment and $9.4 million recognised within AFGOM.

16. Interest in associates and joint ventures

The Group has interests in two associates and eight joint ventures which are all accounted for using the equity method.

	Year End	Country of Registration	Territory	Classification	Subsea 7 ownership %
Deep Seas Insurance[(a)]	31 December	Cayman Islands	CORP	Associate	49
Global Oceon	31 December	Nigeria	AFGOM	Associate	40
Eidesvik Seven	31 December	Norway	NSC	Joint Venture	50
ENMAR	31 December	Mozambique	AFGOM	Joint Venture	51
Normand Oceanic	31 December	Norway	NSC	Joint Venture	50
SapuraAcergy	31 January	Malaysia	APME	Joint Venture	50
Seaway Heavy Lifting	31 December	Cyprus	CORP	Joint Venture	50
SIMAR	31 December	Angola	AFGOM	Joint Venture	49
Subsea 7 Malaysia	31 December	Malaysia	APME	Joint Venture	30
Technip Subsea 7	31 December	Australia	APME	Joint Venture	45

(a) The remaining 51% ownership of Deep Seas Insurance is held by Siem Industries Inc., a related party as described in Note 36 'Related party transactions'.

For all entities, with the exception of Seaway Heavy Lifting which has a principal place of business in the Netherlands, the principal place of business is consistent with the country of registration. The proportion of voting rights is consistent with the proportion of ownership interest.

The movement in the balance of equity investments, including long-term advances, was as follows:

For the year (in $ millions)	**2014**	2013
At year beginning	**310.7**	223.1
Share of net income of associates and joint ventures	**69.2**	127.1
Dividends received by the Group	**(0.5)**	(42.0)
Increase in investment	**0.1**	3.2
Distributions received on dissolution of investments	**–**	(4.2)
Net reversal of reclassification of negative investment balance as liabilities	**(0.3)**	(0.7)
Share of other comprehensive income of associates and joint ventures	**3.9**	9.5
Exchange differences	**(9.3)**	(5.3)
At year end	**373.8**	310.7

Summarised financial information

Summarised aggregated financial information for associates and joint ventures, representing 100% of the respective amounts included in their financial statements, including IFRS adjustments where the financial statements are not prepared in accordance with IFRS, was as follows:

	Interest in associates		**Interest in joint ventures**	
For the year (in $ millions)	**2014**	2013	**2014**	2013
Aggregated income/(loss)	**4.5**	(0.1)	**135.4**	265.1
Aggregated other comprehensive income	**–**	(0.1)	**7.9**	19.0
Total comprehensive income/(loss)	**4.5**	(0.2)	**143.3**	284.2
Group's share of net income for the year	**1.9**	–	**67.3**	127.1
Group's share of other comprehensive income for the year	**–**	–	**3.9**	9.5

17. Advances and receivables

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Non-current amounts due from associates and joint ventures	**90.5**	109.2
Capitalised fees for long-term loan facilities	**1.7**	0.9
Deposits held by third parties	**1.2**	2.3
Other receivables	**34.9**	23.9
Total	**128.3**	136.3

18. Inventories

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Materials and spares	**29.4**	22.9
Consumables	**29.7**	43.6
Total	**59.1**	66.5

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Total cost of inventory charged to the Consolidated Income Statement	**151.8**	136.4
Provision for obsolescence charged to the Consolidated Income Statement	**0.4**	0.2
Increase/(utilisation) of provision for obsolescence charged/(credited) to the Consolidated Income Statement	**0.6**	(4.1)

Inventories include a provision for obsolescence as at 31 December 2014 of $2.9 million (2013: $4.9 million). There were no inventories pledged as security.

19. Trade and other receivables

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Trade receivables	**552.6**	772.0
Allowance for doubtful debts	**(10.2)**	(13.9)
Net trade receivables	**542.4**	758.1
Current amounts due from associates and joint ventures	**5.9**	52.4
Advances to suppliers	**46.7**	55.4
Other taxes receivable	**182.6**	170.7
Finance lease receivables (Note 20)	**7.4**	11.7
Other receivables	**55.4**	50.3
Total	**840.4**	1,098.6

Details of how the Group manages its credit risk and further analysis of the trade receivables balance can be found in Note 35 '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 and amounts due relating to vessel disposals.

20. Finance lease receivables

As at (in $ millions)	**2014 31 Dec Gross Investment**	**2014 31 Dec Present value of minimum lease payments**	2013 31 Dec Gross Investment	2013 31 Dec Present value of minimum lease payments
Investment in finance lease contracts:				
Within one year	**8.1**	**7.4**	12.9	11.7
Years two to five inclusive	**–**	**–**	–	–
Total	**8.1**	**7.4**	12.9	11.7
Less unearned finance revenues	**(0.7)**	**–**	(1.2)	–
Net investment in finance lease contracts	**7.4**	**7.4**	11.7	11.7

From January 2013, *Acergy Harrier* was bare-boat chartered for a maximum of three years, with purchase options during the charter.

21. Assets classified as held for sale

Investments in Sonamet and Sonacergy

On 23 July 2009, the Group entered into a sale agreement to reduce its ownership interest in Sonamet Industrial S.A. (Sonamet) and Sonacergy – Servicos E Construcoes Petroliferas Lda (Sonacergy) from 55% to 36%. Sonamet operates a fabrication yard located in Lobito in support of clients, including Subsea 7, in the offshore oil and gas industry in Angola. Sonacergy provides overseas logistics services and support to Sonamet.

The finalisation of the sale was conditional upon the completion of certain conditions, none of which were under the control of the Group. Following the failure to satisfy these conditions by the end of 2014, the Group issued notification to the relevant parties confirming the position and ceased to classify the assets as held for sale on 31 December 2014.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net assets of Sonamet and Sonacergy have been remeasured at their carrying amount prior to their classification as held for sale and adjusted for depreciation that would have been recognised had the assets never been classified as held for sale. All impairment charges recognised by the Group during the period in which the assets were classified as held for sale have been reversed. Following reclassification, a review for indicators of impairment was performed and management is satisfied that the carrying amount of the net assets of Sonamet and Sonacergy do not exceed their recoverable amounts.

The following tables show the impact of the remeasurement on the Consolidated Financial Statements of the Group, as previously presented:

Impact on the Consolidated Income Statement for the year ended 31 December 2013

	Net income attributable to shareholders of the parent company	Net income attributable to non-controlling interests	Total
For the year ended 31 December 2013 as previously presented	347.6	2.3	349.9
Depreciation incurred in 2013 not previously recognised	(9.5)	(7.8)	(17.3)
Reversal of impairment charges previously recognised in 2013	11.6	–	11.6
For the year ended 31 December 2013 as re-presented	349.7	(5.5)	344.2

Impact on individual elements of the Consolidated Balance Sheet as at 31 December 2013

As at (in $ millions)	2013 31 Dec As previously presented	Reclassification	2013 31 Dec As re-presented
Assets			
Intangible assets	24.6	2.2	26.8
Property, plant and equipment	4,098.0	209.1	4,307.1
Inventories	43.5	23.0	66.5
Trade and other receivables	1,008.0	90.6	1,098.6
Assets classified as held for sale	394.8	(394.8)	–
Other accrued income and prepaid expenses	404.0	6.9	410.9
Cash and cash equivalents	669.5	22.0	691.5
Equity			
Retained earnings	2,156.5	(14.1)	2,142.4
Non-controlling interests	46.5	(27.0)	19.5
Liabilities			
Non-current portion of borrowing	636.3	5.1	641.4
Other non-current liabilities	14.6	68.9	83.5
Trade and other liabilities	1,637.4	103.3	1,740.7
Current tax liabilities	111.2	0.6	111.8
Liabilities directly associated with assets classified as held for sale	194.5	(194.5)	–
Construction contracts – liabilities	600.7	16.0	616.7
Deferred revenue	3.2	0.7	3.9

21. Assets classified as held for sale *continued*

Impact on individual elements of the Consolidated Balance Sheet as at 31 December 2012

As at (in $ millions)	2012 31 Dec As previously presented	Reclassification	2012 31 Dec As re-presented
Assets			
Intangible assets	24.4	2.5	26.9
Property, plant and equipment	3,748.3	176.6	3,924.9
Inventories	59.3	22.8	82.1
Trade and other receivables	1,090.3	25.9	1,116.2
Assets classified as held for sale[(a)]	317.6	(306.3)	11.3
Construction contracts – assets	541.3	18.3	559.6
Other accrued income and prepaid expenses	471.0	1.0	472.0
Cash and cash equivalents	1,287.9	26.2	1,314.1
Equity			
Retained earnings	1,861.1	(16.2)	1,844.9
Non-controlling interests	43.8	(19.2)	24.6
Liabilities			
Non-current portion of borrowing	1,040.9	7.3	1,048.2
Trade and other liabilities	1,452.0	120.3	1,572.3
Liabilities directly associated with assets classified as held for sale	167.3	(167.3)	–
Construction contracts – liabilities	434.1	31.7	465.8
Deferred revenue	76.8	10.4	87.2

(a) The remaining assets classified as held for sale following the reclassification represented *Acergy Harrier, Acergy Legend,* and *Acergy Orion*

Impact on the Consolidated Statement of Changes in Equity for the year ended 31 December 2013

(in $ millions)	Retained earnings	Non-controlling interests	Total
Balance at 1 January 2013 as previously presented	1,861.1	43.8	1,904.9
Depreciation incurred from 2009 to 2012 not previously recognised	(23.5)	(19.2)	(42.7)
Reversal of impairment charges previously recognised from 2009 to 2012	7.3	–	7.3
Balance at 1 January 2013 as re-presented	1,844.9	24.6	1,869.5

22. Other accrued income and prepaid expenses

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Unbilled revenue	**181.5**	286.8
Prepaid expenses	**101.8**	124.1
Total	**283.3**	410.9

Unbilled revenue related to work completed on day-rate contracts, which had not been billed to clients as at the balance sheet date.

Prepaid expenses arise 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)	**2014 31 Dec**	2013 31 Dec Re-presented
Contracts in progress		
Construction contracts – assets	**378.4**	575.0
Construction contracts – liabilities	**(425.7)**	(616.7)
Total	**(47.3)**	(41.7)

Contract costs incurred plus recognised net profits less recognised losses to date	**9,986.3**	8,360.8
Less: progress billings	**(10,033.6)**	(8,402.5)
Total	**(47.3)**	(41.7)

Revenue from construction contracts in the year was $5.3 billion (2013: $4.6 billion).

24. Cash and cash equivalents

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Cash and cash equivalents	**572.6**	691.5

Cash and cash equivalents includes funds totalling $194.4 million (2013: $65.0 million) held by the Group in certain countries whose exchange controls significantly restrict or delay the remittance of these funds to foreign jurisdictions.

25. Issued share capital

Authorised shares

As at	**2014 31 Dec Number of shares**	**2014 31 Dec in $ millions**	2013 31 Dec Number of shares	2013 31 Dec in $ millions
Authorised common shares, $2.00 par value	**430,373,336**	**860.7**	450,000,000	900.0

Issued shares

As at	**2014 31 Dec Number of shares**	**2014 31 Dec in $ millions**	2013 31 Dec Number of shares	2013 31 Dec in $ millions
Fully paid and issued common shares	**332,167,067**	**664.3**	351,793,731	703.6
The issued common shares consist of:				
Common shares excluding treasury shares	**326,368,007**	**652.7**	335,389,648	670.8
Treasury shares par value (Note 26)	**5,799,060**	**11.6**	16,404,083	32.8
Total	**332,167,067**	**664.3**	351,793,731	703.6

Cancellation of shares

On 27 November 2014 an Extraordinary General Meeting of shareholders approved the cancellation of shares held in treasury. Accordingly 19,626,664 common shares were cancelled. As a result, the authorised share capital of the Company was reduced by $39,253,328 and is now fixed at $860,746,672, represented by 430,373,336 common shares, of which 332,167,067 are issued common shares and 98,206,269 are authorised but unissued common shares.

26. Treasury shares

Share repurchase plan

During 2014 the Group completed its $200 million share repurchase programme, initiated in October 2013, through the repurchase of 6,059,939 shares for a total consideration of $107.6 million. Cumulatively 10,710,315 shares were repurchased under the October 2013 share repurchase programme for a total consideration of $198.8 million.

On 31 July 2014, the Group announced a further 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. During 2014, the Group repurchased 4,457,078 shares under the July 2014 repurchase programme for a total consideration of $49.5 million.

All repurchases have been 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 were held as treasury shares.

26. Treasury shares *continued*

Summary

Movements in treasury shares are shown in the table below:

	2014 Number of shares	**2014 in $ millions**	2013 Number of shares	2013 in $ millions
At year beginning	**16,404,083**	**356.9**	20,154,532	443.9
Shares reissued to convertible bondholders/noteholders (Note 29)	**(907,104)**	**(21.8)**	(7,763,453)	(175.1)
Shares repurchased	**10,517,017**	**157.0**	4,650,376	91.2
Shares cancelled	**(19,626,664)**	**(402.8)**	–	–
Shares reissued relating to share-based payments	**(588,272)**	**(14.1)**	(637,372)	(3.1)
Balance at year end	**5,799,060**	**75.2**	16,404,083	356.9

Consisting of:

As at	**2014 31 Dec Number of shares**	2013 31 Dec Number of shares
Common shares held as treasury shares by a subsidiary	**4,019,378**	14,193,786
Common shares held as treasury shares by employee benefit trusts	**1,779,682**	2,210,297
Total	**5,799,060**	16,404,083

At 31 December 2014, the Group directly held 1.2% (2013: 4.0%) 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 (2013: 1,526,200) common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 253,482 (2013: 684,097) shares were held in a separate employee benefit trust to support specified share option awards.

27. Non-controlling interests

The Group's respective interests in subsidiaries which are non-wholly owned were as follows:

	Year End	Country of Registration	Subsea 7 ownership %
Sonamet	31 December	Angola	55.0
Sonacergy	31 December	Angola	55.0
Setemares Angola	31 December	Angola	49.0
Globestar Engineering Company	31 December	Nigeria	98.8
Subsea 7 Mexico	31 December	Mexico	52.0
Naviera Subsea 7	31 December	Mexico	49.0
Servicos Subsea 7	31 December	Mexico	52.0
PT Subsea 7 Indonesia	31 December	Indonesia	95.0
Subsea 7 Gabon	31 December	Gabon	99.8
Nigerstar 7 Limited	31 December	Nigeria	49.0
Nigerstar 7 FZE	31 December	Nigeria	49.0

For all entities, the principal place of business is consistent with the country of registration. The proportion of voting rights is consistent with the proportion of ownership interest.

The movement in the equity attributable to non-controlling interests was as follows:

(in $ millions)	**2014**	2013 Re-presented
At year beginning	**19.5**	24.6
Share of net loss for the year	**(43.4)**	(5.5)
Additions	**–**	0.2
Dividends	**(4.9)**	–
Exchange differences	**3.6**	0.2
At year end	**(25.2)**	19.5

Financial information of the non-wholly owned subsidiary which had a material impact on the Consolidate Financial Statements is shown below:

Subsea 7 Mexico

The Group holds a 52% interest in Subsea 7 Mexico which performs the majority of its activities in Mexico.

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
Revenue	**87.6**	189.9
Net loss	**(132.5)**	(54.6)
Total comprehensive loss	**(132.5)**	(54.6)
Attributable to non-controlling interests	**(63.6)**	(26.2)

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
Net cash flows (used in)/generated from operating activities	**(29.5)**	19.4
Net cash flows from investing activities	**0.1**	–
Net cash flows used in financing activities	**(4.5)**	(2.5)
Net (decrease)/increase in cash and cash equivalents	**(33.9)**	16.9

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec
Non-current assets	**0.1**	0.2
Current assets	**170.0**	169.8
Current liabilities	**(340.9)**	(227.7)
Net liabilities	**(170.8)**	(57.7)
Total equity	**(170.8)**	(57.7)
Attributable to shareholders of the parent company	**(88.8)**	(30.0)
Attributable to non-controlling interests	**(82.0)**	(27.7)

At 31 December 2014, a wholly owned subsidiary of the Group had provided four interest bearing intra-group loans to Subsea 7 Mexico totalling $163.3 million (2013: $100 million). Interest charged varies per loan and ranges from 2.2% – 7.8% per annum. 48% of the loan is guaranteed by the shareholder of the non-controlling interest.

28. Borrowings

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
$275 million 3.5% convertible bonds due 2014 (Note 29)	**–**	275.4
$700 million 1.0% convertible bonds due 2017 (Note 29)	**576.2**	636.3
$15 million loan facility due 2015	**1.9**	5.1
Total	**578.1**	916.8
Consisting of:		
Non-current portion of borrowings	**576.2**	641.4
Current portion of borrowings	**1.9**	275.4
Total	**578.1**	916.8

Commitment fees expensed during the year in respect of unused lines of credit were $2.9 million (2013: $1.7 million).

Facilities

$15 million loan facility

On 26 May 2008, Sonamet entered into a $15 million loan facility with Banco Angolano 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.

The multi-currency revolving credit and guarantee facility

The Group entered into a new $500 million multi-currency revolving credit and guarantee facility on 3 September 2014. This facility is syndicated with several banks and is available for the issuance of guarantees, up to a limit of $200 million, a combination of guarantees and cash drawings, or is available in full for cash drawings. The facility was unutilised at 31 December 2014 and matures on 3 September 2019. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) Limited.

28. Borrowings *continued*

Termination of previous facilities

During 2014, the Group cancelled its $600 million multi-currency revolving credit and guarantee facility which was entered into on 10 August 2010 (the $600 million facility). No cash drawdowns were made under this facility. The facility was available for the issuance of guarantees or a combination of guarantees and cash drawings, subject to a $100 million sub-limit for cash drawings. Prior to the cancellation of the facility existing guarantees were novated to uncommitted, unsecured bi-lateral guarantee facilities.

The Group also terminated the three $100 million multi-currency revolving credit facilities (multi-currency revolving credit facilities), each with a separate bank, available for cash drawings only. No drawdowns were made on these facilities.

Utilisation of facilities

As at (in $ millions)	**2014 31 Dec Utilised**	**2014 31 Dec Unutilised**	**2014 31 Dec Total**	2013 31 Dec Utilised Re-presented	2013 31 Dec Unutilised Re-presented	2013 31 Dec Total Re-presented
Cash loans	**1.9**	**513.1**	**515.0**	5.1	409.9	415.0
Guarantee facilities	**–**	**–**	**–**	183.0	317.0	500.0
Total	**1.9**	**513.1**	**515.0**	188.1	726.9	915.0

Bank overdraft and short-term lines of credit

Overdraft facilities consist of $18.9 million (2013: $19.1 million), of which $nil (2013: $nil) was drawn as at 31 December 2014.

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 as at 31 December 2014 was $619.0 million (2013: $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 *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 each 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 SapuraKencana Petroleum Berhad. At 31 December 2014, SASB had a $157.0 million multi-currency facility for the financing of the Gumusut-Kakap project. Both the Group and SapuraKencana Petroleum Berhad have issued guarantees for 50% of the financing respectively. The facility consists of $121.0 million available for the issuance of the principal performance bank guarantees and $30.0 million available for letters of credit and one revolving credit facility totalling $6.0 million. At 31 December 2014, the amount drawn under the principal bank guarantee was $96.0 million (2013: $50.0 million), $0.1 million was drawn under the letter of credit facility (2013: $0.4 million) and $nil was drawn under the revolving credit facilities (2013: $nil)).

29. Convertible bonds

$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 bondholders were granted an option which allowed them to convert the 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).

The 2014 Bonds had 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 repurchased, converted or cancelled, matured on 13 October 2014 at 100% of their principal amount.

On 6 June 2014 holders of an aggregate $0.1 million (par value) filed their conversion notice for their bonds to be converted into common shares of Subsea 7 S.A. and a total of 6,321 were delivered to bondholders out of treasury shares on that date. On 25 September 2014 the Group repurchased $79.1 million (par value) for $79.0 million. In addition, on 29 September 2014, holders of an aggregate $13.8 million (par value) filed their conversion notice for their bonds to be converted into common shares of Subsea 7 S.A. A total of 900,783 common shares were delivered to bondholders from existing shares in treasury on 13 October 2014. On the same date the remaining $182.0 million (par value) of bonds were redeemed on maturity at their principal amount.

Following conversion, repurchase and redemption of the 2014 Bonds, $167.8 million, representing the entire equity component of the bonds, was transferred from the equity reserve to retained earnings.

$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 net proceeds received from the issue of the 2017 Bonds were allocated 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 at date of issue	80.6

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 repurchased, redeemed, converted or cancelled will mature on 5 October 2017 at 100% of their principal amount.

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 at the date of issue, equivalent to 23,255,814 common shares or approximately 7.0% of Subsea 7 S.A.'s issued share capital (excluding treasury shares held). At 31 December 2014, $618.2 million of the 2017 Bonds, excluding those bonds repurchased and held by the Group, were outstanding with a conversion price at that date of $28.39 (2013: $29.31) per share, adjusted for the payment of dividends since issuance. This was equivalent to 21,775,273 (2013: 23,882,634) common shares, or 6.7% (2013: 7.1%) of the Group's issued share capital (excluding treasury shares held). 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 common 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 publicly quoted or listed debt instruments
- 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.

Bond repurchases

Between 17 October and 17 November 2014 the Group repurchased $81.8 million (par value) of the 2017 1.00% convertible bonds for $76.2 million (an average 93.2% of the par value). Each repurchase price was treated as payment for the liability component of the bonds, resulting in a gain on repurchase of the liability of $0.2 million recognised within finance income in the Consolidated Income Statement. These bonds have not been cancelled but continue to be held by the Group and are available for re-issue at a future date.

Following the repurchases of $81.8 million, $9.4 million of the related equity component was transferred from equity reserves to retained earnings.

Movements in convertible bonds

The movement in the liability components of the convertible bonds was as follows:

(in $ millions)	**2014**	2013
At year beginning	**911.7**	1,377.7
Interest accrued	**2.3**	2.4
Bonds/notes converted	**(13.9)**	(164.6)
Bonds/notes redeemed	**(182.0)**	(337.2)
Bonds repurchased	**(155.2)**	–
Interest charged (Note 9)	**29.8**	59.4
Interest paid	**(16.5)**	(26.0)
At year end (Note 28)	**576.2**	911.7

The interest charged in the year was calculated by applying effective interest rates of 3.3% (2014 Bonds) and 3.5% (2017 Bonds).

The movement in the equity components of the convertible bonds was as follows:

For the year (in $ millions)	**2014**	2013
At year beginning	**248.5**	359.2
Reclassification of equity component of bonds/notes redeemed, repurchased or converted in year	**(177.3)**	(110.7)
At year end	**71.2**	248.5

30. Other non-current liabilities

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Accrued salaries and benefits	**27.7**	5.1
Non-current amounts due to associates and joint ventures	**1.8**	1.8
Other	**63.8**	76.6
Total	**93.3**	83.5

31. Trade and other liabilities

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Accruals	**970.4**	1,095.3
Trade payables	**284.4**	272.7
Current amounts due to associates and joint ventures	**17.6**	7.9
Accrued salaries and benefits	**211.5**	221.4
Withholding taxes	**11.6**	12.1
Other taxes payable	**145.5**	107.4
Other current liabilities	**33.1**	23.9
Total	**1,674.1**	1,740.7

32. Provisions

(in $ millions)	Claims	Decommissioning	Restructuring	Other	Total
At 1 January 2013 – re-presented	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 – re-presented	21.6	18.5	7.1	7.3	54.5
Additional provision in the year	7.7	1.4	5.2	18.5	32.8
Utilisation of provision	(5.2)	(2.8)	(2.2)	(0.4)	(10.6)
Unused amounts released during the year	(6.0)	–	–	(4.2)	(10.2)
Exchange differences	(2.0)	(0.8)	(1.4)	(3.1)	(7.3)
At 31 December 2014	**16.1**	**16.3**	**8.7**	**18.1**	**59.2**

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Consisting of:		
Non-current provisions	**30.3**	35.5
Current provisions	**28.9**	19.0
Total	**59.2**	54.5

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 restore leased vessels to their original, or agreed, condition. The costs related to the provision are expected to be incurred in the year the leases cease, which ranges from 2015 to 2021.

The restructuring provisions relate to the Brazil and Norway Territories and are expected to be utilised during 2015.

The other provisions mainly relate to loss provisions on leasing contracts.

33. Commitments and contingent liabilities

Commitments

The Group's commitments at 31 December 2014 consist of:

- commitments to purchase property, plant and equipment from external suppliers for $770.3 million (2013: $1,054.7 million) mainly related to the construction of *Seven Kestrel*, *Seven Arctic*, and three new-build PLSVs *Seven Sun*, *Seven Rio* and *Seven Cruzerio*, linked to long-term contracts with Petrobras;
- operating lease commitments as indicated in Note 34 'Operating lease arrangements'; and
- a loan facility to the Group's joint venture Seaway Heavy Lifting of an amount up to $10 million.

Contingent liabilities

A summary of the contingent liabilities is as follows:

(in $ millions)	2014	2013	2014	2013
	Contingent liability recognised		Contingent liability not recognised	
At year beginning	**6.8**	27.8	**280.3**	261.9
New assessments (including effect of interest rate changes)	**–**	–	**6.8**	48.8
Contingent liability derecognised	**–**	(20.3)	**–**	–
Exchange differences	**(0.8)**	(0.7)	**(19.3)**	(30.4)
At year end	**6.0**	6.8	**267.8**	280.3

Contingent liabilities recognised in the Consolidated Balance Sheet

As a result of the Combination, and in accordance with IFRS 3 'Business Combinations', a contingent liability of $9.3 million was recognised in the Consolidated Balance Sheet as at 7 January 2011 in respect of claims made against Subsea 7 do Brasil Serviços Ltda, equivalent to $5.9 million as at 31 December 2014 (2013: $6.7 million). A further $3.3 million of contingent liabilities were recognised in the Consolidated Balance Sheet as at 7 January 2011 in relation to several other smaller claims, equivalent to $0.1 million as at 31 December 2014 (2013: $0.1 million).

Contingent liabilities not recognised in the Consolidated Balance Sheet

Between 2009 and 2014, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (also including import duty) by the Brazilian State and Federal tax authorities. The amount assessed including penalties and interest as at 31 December 2014 amounted to BRL 677.9 million, equivalent to $267.8 million (2013: BRL 660.1 million, equivalent to $280.3 million). The Group has challenged these assessments. No provision has been made in relation to these cases as the Group does not believe that likelihood of payment is probable.

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.

34. Operating lease arrangements
The Group as lessee

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
Payments made under operating leases	**339.0**	338.4

The total operating lease commitments as at 31 December 2014 were $738.8 million (2013: $866.4 million). These included vessel charter hire obligations of $509.5 million (2013: $562.8 million). The remaining obligations as at 31 December 2014 related to office facilities and other equipment of $229.3 million (2013: $303.6 million).

The Group's outstanding lease commitments fall due as follows:

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec
Within one year	**273.9**	272.6
Years two to five inclusive	**376.1**	449.7
After five years	**88.8**	144.1
Total	**738.8**	866.4

The leases have various terms and future renewal options, none of which are individually significant to the Group. Renewal options which have not yet been exercised are excluded from the outstanding commitments.

35. Financial instruments
Derivative financial instruments recognised in the Consolidated Balance Sheet were as follows:

As at (in $ millions)	**31 Dec 2014 Assets**	**31 Dec 2014 Liabilities**	**31 Dec 2014 Total**	31 Dec 2013 Assets	31 Dec 2013 Liabilities	31 Dec 2013 Total
Non-current						
Forward foreign exchange contracts	**3.8**	**(13.1)**	**(9.3)**	18.1	(9.0)	9.1
Interest rate swap	**–**	**(2.2)**	**(2.2)**	–	(3.6)	(3.6)
Total	**3.8**	**(15.3)**	**(11.5)**	18.1	(12.6)	5.5
Current						
Forward foreign exchange contracts	**28.0**	**(25.1)**	**2.9**	41.8	(9.1)	32.7
Total	**28.0**	**(25.1)**	**2.9**	41.8	(9.1)	32.7

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'.

The Group's financial instruments are classified as follows:

As at (in $ millions)	**2014 31 Dec Carrying amount**	2013 31 Dec Carrying amount Re-presented
Financial assets		
Cash and cash equivalents	**572.6**	691.5
Financial assets at fair value through profit or loss – derivative instruments	**28.1**	33.5
Derivative instruments in designated hedge accounting relationships	**3.7**	26.4
Loans and receivables:		
Net trade receivables (Note 19)	**542.4**	758.1
Non-current amounts due from associates and joint ventures (Note 17)	**90.5**	109.2
Current amounts due from associates and joint ventures (Note 19)	**5.9**	52.4
Finance lease receivables (Note 20)	**7.4**	11.7
Other receivables	**30.7**	49.0
Financial liabilities		
Financial liabilities at fair value through profit or loss – derivative instruments	**(35.5)**	(17.2)
Derivative instruments in designated hedge accounting relationships	**(4.9)**	(4.5)
Other financial liabilities:		
Trade payables (Note 31)	**(284.4)**	(272.7)
Non-current amounts due to associates and joint ventures (Note 30)	**(1.8)**	(1.8)
Current amounts due to associates and joint ventures (Note 31)	**(17.6)**	(7.9)
Borrowings – Convertible bonds (Note 29)	**(576.2)**	(911.7)
Other payables	**(18.4)**	(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)	**2014 31 Dec Carrying amount**	**2014 31 Dec Fair value**	2013 31 Dec Carrying amount	2013 31 Dec Fair value
Financial liabilities				
Borrowings – Convertible bonds (Note 29) – Level 2	**(576.2)**	**(565.5)**	(911.7)	(923.7)

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, Nigerian Naira, Mexican Peso and Ghanaian Cedi

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.

35. Financial instruments *continued*

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 intra-group 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 $45.1 million (2013: $54.5 million). The impact on equity would be a reduction in reported net assets of $56.3 million (2013: $65.9 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 2014

	Contracted amount by contract maturity				**Fair value by contract maturity**	
	Buy		**Sell**		**Maturity**	
(in $ millions)	**< 1 Year**	**1-5 Years**	**< 1 Year**	**1-5 Years**	**< 1 Year**	**1-5 Years**
British Pound Sterling	**226.5**	**18.6**	**17.9**	**–**	**20.0**	**2.3**
Canadian Dollar	**6.9**	**–**	**–**	**–**	**–**	**–**
Danish Krone	**35.0**	**13.0**	**–**	**–**	**0.5**	**1.3**
Euro	**119.3**	**7.5**	**4.2**	**–**	**(1.2)**	**(0.1)**
Norwegian Krone	**124.0**	**59.8**	**23.0**	**–**	**(10.5)**	**(12.1)**
US Dollar	**108.8**	**–**	**289.6**	**10.4**	**(6.2)**	**(0.4)**
Total	**620.5**	**98.9**	**334.7**	**10.4**	**2.6**	**(9.0)**

As at 31 December 2013

	Contracted amount by contract maturity				**Fair value by contract maturity**	
	Buy		Sell		Maturity	
(in $ millions)	< 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

Hedge accounting

Included in the tables on page 90 are the following outstanding forward foreign exchange contracts which are designated as hedging instruments as at the reporting date:

As at 31 December 2014

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $ millions)	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
Danish Krone	**26.3**	**11.7**	**–**	**–**	**1.0**	**1.5**
Norwegian Krone	**3.8**	**–**	**–**	**–**	**–**	**–**
US Dollar	**14.2**	**–**	**168.1**	**–**	**(3.7)**	**–**
Total	**44.3**	**11.7**	**168.1**	**–**	**(2.7)**	**1.5**

As at 31 December 2013

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $ millions)	< 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

The hedging reserve, included within other reserves in the Consolidated Balance Sheet, represents hedging gains and losses recognised on the effective portion of cash flow hedges. The movement in the hedging reserve was as follows:

(in $ million)	**2014**	2013
As at year beginning	**8.2**	0.1
Gains/(losses) on the effective portion of derivative financial instruments deferred to equity:		
capital expenditure hedging	**0.1**	1.5
revenue hedging	**(10.0)**	15.5
operating expenses hedging	**(6.3)**	(2.8)
income tax losses recognised in equity	**9.9**	(3.3)
Cumulative deferred (gains)/losses transferred to Consolidated Income Statement (see below):		
revenue hedging	**(12.3)**	(6.1)
operating expenses hedging	**2.7**	0.3
Cumulative deferred gains transferred to initial carrying amount:		
capital expenditure hedging	**0.1**	3.0
Balance at year end	**(7.6)**	8.2

Cumulative gains/(losses) transferred from the hedging reserve to the Consolidated Income Statement

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec
Cumulative deferred gains recognised in revenue	**7.2**	4.4
Cumulative deferred losses recognised in operating expenses	**(0.9)**	(0.3)
Cumulative deferred gains recognised in other gains and losses	**3.3**	1.7
Total	**9.6**	5.8

During 2014 the Group reclassified $5.4 million of net gains on foreign currency forward contracts relating to forecast transactions that were no longer expected to occur from the hedging reserve to the Consolidated Income Statement (2013: $nil).

Revenue hedging

The Group uses forward foreign exchange contracts to manage a proportion of its revenue transaction exposures. The hedging reserve at 31 December 2014 included a loss of $12.0 million (2013: gain of $0.4 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 2014, the hedging reserve balance included a gain of $4.3 million (2013: $7.9 million) arising on operating expense hedges maturing on or before 3 August 2016.

35. Financial instruments *continued*

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 2014 related to capital expenditure hedges was a gain of $0.1 million (2013: loss of $0.1 million).

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 derivative financial instruments 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 $0.1 million (2013: $0.2 million).

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 2014, 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 $1.4 million (2013: $1.5 million) was recognised in the Consolidated Income Statement.

Interest rate sensitivity analysis

Interest on the $500 million facility discussed in Note 28 ‘Borrowings’ is payable at LIBOR plus a margin which is linked to the ratio of total net debt to Adjusted EBITDA (see Additional Information on page 105) and ranges up to 0.9% per year.

As at 31 December 2014, the Group had not drawn down on the $500 million facility. The $600 million facility and the three $100 million facilities were terminated during the year (see Note 28 ‘Borrowings’).

As at 31 December 2014, 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 $531.7 million) at the balance sheet date using the Standard and Poor’s credit rating.

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec
Counterparties rated AAA	**–**	3.0
Counterparties rated AA- to AA+	**30.9**	–
Counterparties rated A- to A+	**10.0**	12.5

Net trade receivables (Note 19 ‘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:

	2014 31 Dec	2013 31 Dec
As at	**Debtor category percentage**	Debtor category percentage
National oil and gas companies	**16%**	21%
International oil and gas companies	**49%**	64%
Independent oil and gas companies	**35%**	15%
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 2014

(in $ millions)	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**Total**
Trade receivables	**417.4**	**97.8**	**15.9**	**11.3**	**542.4**
Trade receivables considered impaired	**2.8**	**0.3**	**0.6**	**6.5**	**10.2**
Total trade receivables (Note 19)	**420.2**	**98.1**	**16.5**	**17.8**	**552.6**

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 – re-presented	421.7	203.3	126.4	6.7	758.1
Trade receivables considered impaired	1.1	4.0	8.3	0.5	13.9
Total trade receivables (Note 19) – re-presented	422.8	207.3	134.7	7.2	772.0

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 amount of the financial assets as summarised on page 89.

Concentration of credit risk

The Group depends on certain significant clients. During the year, three clients (2013: four clients) contributed to more than 10% of the Group's revenue. The revenue from these clients was $3.3 billion or 48% of total Group revenues (2013: $3.4 billion or 54%).

The five largest receivables balances by client as at 31 December are shown in the table below:

As at (in $ millions)	**31 Dec 2014**
Client A	**95.6**
Client B	**75.2**
Client C	**36.6**
Client D	**34.7**
Client E	**30.1**

As at (in $ millions)	31 Dec 2013 Re-presented
Client A	187.0
Client B	70.1
Client C	62.6
Client D	62.3
Client E	36.8

The client mix for outstanding accounts receivable balances in 2014 is not the same as 2013. The Group does not have any significant credit risk exposure to any single counterparty as at 31 December 2014. 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 2014, 30% of cash was held at counterparties with a credit-rating lower than Standard and Poor's A- classification.

Liquidity risk management

The Group has a framework for the management of short, medium and long-term funding and liquidity management requirements. The Group continually 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 28 'Borrowings' is a listing of undrawn facilities that the Group has at its disposal.

35. Financial instruments *continued*

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 2014

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
Trade payables	**170.9**	**113.5**	**–**	**–**	**–**	**284.4**
Convertible bonds	**–**	**–**	**7.0**	**714.0**	**–**	**721.0**
Current amounts due to associates and joint ventures	**10.3**	**7.3**	**–**	**–**	**–**	**17.6**
Loan from non-controlling interest	**–**	**–**	**–**	**1.8**	**–**	**1.8**
Total	**181.2**	**120.8**	**7.0**	**715.8**	**–**	**1,024.8**

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 – re-presented	135.0	119.6	17.9	0.2	–	272.7
Convertible bonds	–	–	291.6	721.0	–	1,012.6
Current amounts due to associates and joint ventures	–	1.9	6.0	–	–	7.9
Loan from non-controlling interest	–	–	–	1.8	–	1.8
Total – re-presented	135.0	121.5	315.5	723.0	–	1,295.0

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 derivative financial instruments 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 2014

(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	**2.4**	**1.5**	**8.2**	**12.6**	**–**	**24.7**
Interest rate swap	**–**	**–**	**–**	**2.2**	**–**	**2.2**
Gross settled:						
Foreign exchange forward contract payments	**220.5**	**223.1**	**83.3**	**16.6**	**–**	**543.5**
Foreign exchange forward contract receipts	**(219.1)**	**(216.4)**	**(77.8)**	**(16.0)**	**–**	**(529.3)**
Total	**3.8**	**8.2**	**13.7**	**15.4**		**41.1**

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

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 28 '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)	**2014 31 Dec**	2013 31 Dec Re-presented
Principal value of convertible bonds (Note 29)	**700.0**	975.0
Estimated present value of operating lease obligations[(a)]	**2,034.0**	2,030.4
Cash and cash equivalents	**(572.6)**	(691.5)
Net debt	**2,161.4**	2,313.9
Adjusted EBITDA (see Additional information on page 105)	**1,438.8**	980.7
Debt service ratio[(b)]	**1.5x**	2.4x

(a) Estimated present value of operating lease obligations is six times current year payments made under operating leases (Note 34 '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

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)	**2014 31 Dec Level 2**	**2014 31 Dec Level 3**	2013 31 Dec Level 2	2013 31 Dec Level 3
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through profit or loss – derivative instruments	**28.1**	**–**	33.5	–
Derivative instruments in designated hedge accounting relationships	**3.7**	**–**	26.4	–
Financial liabilities:				
Financial liabilities at fair value through profit or loss – derivative instruments	**(35.5)**	**–**	(17.2)	–
Derivative instruments in designated hedge accounting relationships	**(4.9)**	**–**	(4.5)	–

During the year ended 31 December 2014 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 derivative financial instruments, and option pricing models for optional derivative financial instruments.

Assumptions used in determining fair value of financial assets and financial liabilities are as follows:

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 0.3%.

Borrowings – convertible bonds

The fair value of the liability components of convertible bonds is determined by matching the maturity profile of the bond to market interest rates available to the Group. At the balance sheet date the interest rate available was 4.5% (2013: ranged from 0.8% to 3.3%).

35. Financial instruments *continued*

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).

36. 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 the Board of Directors 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 $	2014 31 Dec $	2013 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**	111,000
Dod Fraser	**105,000**	**14,000**	**119,000**	115,099[(b)]
Robert Long	**105,000**	**6,000**	**111,000**[(e)]	108,074[(c)]
Arild Schultz	**–**	**–**	**–**	51,493[(d)]
Allen Stevens	**105,000**	**–**	**105,000**[(e)]	105,000
Trond Westlie	**–**	**–**	**–**	58,359[(d)]

(a) Mr Siem's fee is included within payments to Siem Industries Inc. as detailed in 'Other related party transactions' on page 98.

(b) Mr Fraser was appointed as chairman of the Audit Committee at the Annual General Meeting in June 2013; his fee for 2013 was calculated on a pro rata basis.

(c) Mr Long was appointed as a member of the Audit Committee at the Annual General Meeting in June 2013; his fee for 2013 was calculated on a pro rata basis.

(d) Mr Schultz and Mr Westlie did not stand for re-election at the Annual General Meeting in June 2013; their fees for 2013 were calculated on a pro rata basis.

(e) Mr Long and Mr Stevens temporarily stood down from the Board of Directors between June 2014 and September 2014; their fees were not calculated on a pro rata basis.

Share options outstanding and shareholdings as at 31 December 2014 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)]	3,100
Dod Fraser	4,000
Robert Long	–
Allen Stevens	10,650

(a) As at 31 December 2014, Siem Industries Inc. which is a company controlled through trusts where Mr Siem and certain members of his family are potential beneficiaries, owned 69,731,931 shares, representing 21.0% of total fully paid and issued common shares of the Company.

(b) Mr Eriksrud is Deputy CEO of Siem Industries Inc. which, as at 31 December 2014, owned 69,731,931 shares representing 21.0% of total fully paid and issued common shares of the Company.

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)	**2014 31 Dec**	2013 31 Dec
Salaries and other short-term employee benefits	**4.8**	7.0
Share-based payments	**1.3**	1.7
Post-employment benefits	**0.3**	0.5
Total	**6.4**	9.2

The compensation of the Chief Executive Officer ('CEO') for the year was $1.2 million (2013: $2.6 million) and included base salary, bonus and benefits-in-kind. This amount excludes the IFRS 2 'Share-based payments' charge for any incentive plans of which the CEO is a member.

Share options and performance shares outstanding and shareholdings as at 31 December 2014 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 and performance shares

Name	Total performance shares[(a)]	Total owned shares
Jean Cahuzac	190,000	92,566
Ricardo Rosa	110,000	–
John Evans	128.000	29,948
Nathalie Louys	62,000	2,607
Keith Tipson	73,500	21,931
Steve Wisely	94,000	25,732

(a) Total performance 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 243,000 shares (2013: 209,000) under the 2013 Long-term Incentive Plan; refer to Note 37 'Share-based payments' for details of the plan.

Dividends totalling $0.1 million (2013: $0.1 million) were paid to key management personnel for directly held shareholdings.

Transactions with associates and joint ventures

The Consolidated Balance Sheet included:

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec
Non-current receivables due from associates and joint ventures (Note 17)	**90.5**	109.2
Non-current payables due to associates and joint ventures (Note 30)	**(1.8)**	(1.8)
Trade receivables due from associates and joint ventures (Note 19)	**5.9**	52.4
Trade payables due to associates and joint ventures (Note 31)	**(17.6)**	(7.9)
Net receivables due from associates and joint ventures	**77.0**	151.9

In the year, the Group provided services to associates and joint ventures amounting to $15.3 million (2013: $46.2 million), purchased goods and services from associates and joint ventures amounting to $200.8 million (2013: $76.3 million) and received $3.2 million (2013: $1.9 million) in insurance claims from Deep Seas Insurance.

At 31 December 2014, the Group had provided long-term loans to joint ventures amounting to $90.5 million (2013: $109.2 million). 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 28 'Borrowings'.

36. Related party transactions *continued*

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 (2013: $0.3 million). Dividends totalling $40.9 million (2013: $41.8 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 member of its Board of Directors. Purchases by the Group from subsidiaries of Siem Offshore Inc. relating to vessel charter costs and provision of crew, totalling $9.7 million, were made during the year (2013: $10.3 million). At 31 December 2014, the Group had outstanding balances due to these companies of $nil (2013: $nil).

DSND Bygg AS is ultimately controlled by Siem Industries Inc. Purchases from DSND Bygg AS in relation to the rental of office accommodation totalling $0.6 million (2013: $0.5 million) were made during the year, offset by recharges for office management services of $0.2 million (2013: $0.2 million).

37. 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)	**2014 31 Dec**	2013 31 Dec
Expense arising from equity-settled share-based payment transactions:		
2009 Long-term Incentive Plan	**3.8**	5.3
2013 Long-term incentive Plan	**2.9**	0.8
Subsea 7 Inc. restricted stock award plan	**1.0**	2.0
Expense arising from cash-settled share-based payment transactions:		
2010 Executive Deferred Incentive Scheme	**–**	0.6
2010 Long-term Incentive Plan – cash plan	**–**	0.2
Special Incentive Plan 2012	**1.8**	3.4
Total	**9.5**	12.3

Equity-settled share-based payments schemes

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.

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 of the Subsea 7 S.A Board of Directors, 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 2014, awards of 1,631,500 shares were made under the terms of the 2013 LTIP; 1,060,475 shares are subject to relative TSR performance measures and 571,025 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	**2014 31 Dec**	2013 31 Dec
Weighted average share price (in $)	**14.34**	20.94
TSR performance – Weighted average fair value at grant date (in $)	**6.45**	10.26
ROAIC performance – Weighted average fair value at grant date (in $), excluding non-market measure	**12.62**	19.27
Expected volatility	**28%**	38%
Risk free rate	**1.53%**	1.97%
Dividend yield	**3.16%**	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 3.16%.

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.

Subsea 7 Inc. restricted stock award plan

The Subsea 7 Inc. restricted stock award plan fully vested during 2014 and is closed to future award.

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 of Subsea 7 S.A 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 prior to 31 December 2014. 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.

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 prior to 31 December 2014.

Share options

Option activity for the 2003 Plan and Subsea 7 Inc. share option plans was as follows:

	Number of options 2014	**Weighted average exercise price in $ 2014**	Number of options 2013	Weighted average exercise price in $ 2013
Outstanding at year beginning	**1,493,781**	**17.10**	1,765,027	16.66
Exercised	**(157,657)**	**7.13**	(218,371)	8.45
Forfeited	**(140,120)**	**19.03**	(21,750)	18.42
Expired	**(46,075)**	**6.30**	(31,125)	2.12
Outstanding at year end	**1,149,929**	**13.42**	1,493,781	17.10
Exercisable at the end of the year	**1,149,929**	**13.42**	1,493,781	17.10

37. Share-based payments *continued*

The weighted average exercise market price at exercise date of options exercised during the year was $16.54 (2013: $20.55).

The following table summarises information regarding share options outstanding as at 31 December 2014:

	Options outstanding		
Common shares (range of exercise prices)	Options outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price (in $)
$17.01 – $26.16	**516,582**	**2.26**	**18.54**
$10.01 – $17.00	**268,473**	**2.65**	**15.30**
$3.01 – $10.00	**268,729**	**2.22**	**5.58**
$1.19 – $3.00	**96,145**	**1.64**	**2.53**
Total	**1,149,929**	**2.29**	**13.42**

Cash-settled share-based payment schemes

Special Incentive Plan 2012

This cash-settled scheme fully vested during 2014 and is closed to new awards.

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 2014 was $nil (2013: $4.6 million).

38. 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 $73.8 million (2013: $78.0 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 (onshore) plan and the sailor plan.

The office (onshore) plan is a defined benefit scheme held with a life insurance company to provide pension benefits for the Group's employees. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employee's pension qualifying period, salary at retirement age and the size of benefits from the National Insurance Scheme. The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is aged 67 years. The office plan is closed to new members.

The sailor plan is an established separate tariff rated pension scheme for offshore personnel. Pensions are paid upon retirement based on the employee's length of service and final salary. Under this scheme participants are entitled to receive a pension between the ages of 60-67 years of age. These are funded obligations.

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 Defined Benefit 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 expected to be completed during 2015.

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	
(in $ millions)	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Defined benefit obligation								
At year beginning	**(25.3)**	(33.2)	**(31.9)**	(30.0)	**(15.9)**	(14.4)	**(73.1)**	(77.6)
Pension costs charged to the Consolidated Income Statement:								
Service costs	**(0.6)**	(1.0)	**–**	–	**(1.3)**	(1.2)	**(1.9)**	(2.2)
Interest cost	**(0.8)**	(0.7)	**(1.4)**	(1.3)	**(0.4)**	(0.4)	**(2.6)**	(2.4)
Employee taxes	**(0.3)**	(0.2)	**–**	–	**–**	–	**(0.3)**	(0.2)
Sub-total	**(1.7)**	(1.9)	**(1.4)**	(1.3)	**(1.7)**	(1.6)	**(4.8)**	(4.8)
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	**(2.0)**	5.8	**(3.3)**	(1.0)	**(2.2)**	–	**(7.5)**	4.8
Experience adjustments	**0.1**	2.0	**(2.6)**	–	**1.4**	0.4	**(1.1)**	2.4
Sub-total	**(1.9)**	6.0	**(5.9)**	(1.0)	**(0.8)**	0.4	**(8.6)**	5.4
Benefits paid	**0.8**	0.9	**1.6**	0.6	**0.4**	0.3	**2.8**	1.8
Exchange differences	**4.6**	2.9	**1.8**	(0.2)	**1.8**	(0.6)	**8.2**	2.1
At year end	**(23.5)**	(25.3)	**(35.8)**	(31.9)	**(16.2)**	(15.9)	**(75.5)**	(73.1)
Fair value of plan assets								
At year beginning	**22.1**	24.5	**31.9**	30.0	**–**	–	**54.0**	54.5
Amounts credited to the Consolidated Income Statement:								
Interest Income	**0.7**	0.5	**1.4**	1.3	**–**	–	**2.1**	1.8
Sub-total	**0.7**	0.5	**1.4**	1.3	**–**	–	**2.1**	1.8
Remeasurement gains/(losses) recognised in other comprehensive income:								
Return on plan assets (excluding amounts in interest income)	**(0.4)**	(1.0)	**3.3**	0.9	**–**	–	**2.9**	(0.1)
Administrative expenses	**(0.3)**	(0.3)	**–**	–	**–**	–	**(0.3)**	(0.3)
Experience adjustments	**–**	0.5	**2.6**	–	**–**	–	**2.6**	0.5
Sub-total	**(0.7)**	(0.8)	**5.9**	0.9	**–**	–	**5.2**	0.1
Employer and participant contributions	**0.7**	0.7	**–**	–	**–**	–	**0.7**	0.7
Benefits paid	**(0.8)**	(0.9)	**(1.6)**	(0.6)	**–**	–	**(2.4)**	(1.5)
Exchange differences	**(3.6)**	(1.9)	**(1.8)**	0.3	**–**	–	**(5.4)**	(1.6)
At year end	**18.4**	22.1	**35.8**	31.9	**–**	–	**54.2**	54.0
Net defined benefit obligation	**(5.1)**	(3.2)	**–**	–	**(16.2)**	(15.9)	**(21.3)**	(19.1)

38. 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 (2013: $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)	**2014 31 Dec**	2013 31 Dec
Investments quoted in active markets		
Quoted equity investments	**2.1**	2.4
Unquoted investments		
Deposits	**4.3**	4.9
Bonds	**8.8**	11.2
Property	**2.6**	2.7
Other	**0.6**	0.9
Total	**18.4**	22.1

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 2015 total $3.0 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 2014

(in %)	**Norway**	**United Kingdom**	**France**
Pension increase	**0.1 – 3.0**	**2.9**	**–**
Discount rate	**3.0**	**3.4**	**2.0**
Future salary increase	**3.3**	**–**	**3.8**

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

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	**2014 31 Dec**	2013 31 Dec
Norway office (onshore) plan	67 years	Male	**17.6**	21.4
		Female	**23.6**	23.9
United Kingdom plan	65 years	Male	**21.4**	21.3
		Female	**24.0**	23.9

Mortality assumptions are not relevant for the separate sailor pension scheme as participants are only eligible to receive a pension between the ages of 60 and 67, prior to transferring to a defined contribution pension scheme.

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at 31 December 2014 is shown below. The sensitivity analyses have been determined based on a method that extrapolates the impact on the net 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	**(0.2)**	**0.0**	**0.6**	**(0.6)**	**(0.8)**	**0.8**

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	**(1.0)**	**1.0**	**0.9**	**(1.0)**	**–**	**–**

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.

39. Deferred revenue

As at (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Advances received from clients	**1.7**	3.9

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.

40. Cash flow from operating activities

For the year ended (in $ millions)	Notes	**2014 31 Dec**	2013 31 Dec Re-presented
Cash flow from operating activities:			
Net (loss)/income before taxes		**(229.5)**	505.1
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	15	**392.5**	357.1
Net impairment of property, plant and equipment	7	**88.8**	36.7
Amortisation of intangible assets	14	**11.2**	9.5
Impairment of goodwill	13	**1,183.3**	–
Mobilisation costs	7	**16.8**	9.8
Adjustments for investing and financing items:			
Share in net income of associates and joint ventures	16	**(69.2)**	(127.1)
Finance income	9	**(19.3)**	(22.1)
Loss/(gain) on disposal of property, plant and equipment	8	**1.4**	(12.1)
Finance costs	9	**18.7**	70.9
Adjustments for equity items:			
Share-based payments	37	**7.7**	8.1
		1,402.4	835.9
Changes in operating assets and liabilities:			
Decrease in inventories		**5.0**	13.7
Decrease in operating receivables		**228.5**	40.6
Increase in operating liabilities		**34.9**	326.6
		268.4	380.9
Income taxes paid		**(221.1)**	(184.3)
Net cash generated from operating activities		**1,449.7**	1,032.5

41. Post balance sheet events

New organisational structure

With effect from 1 January 2015 the Group implemented a new organisational structure. The new organisational and segmental structure combines two Business Units, which replace the four geographical Territories, and a Corporate segment. The newly-formed Southern Hemisphere and Global Projects Business Unit combines the Brazil and APME Territories and operations in Africa and centralised major projects teams. The Northern Hemisphere and Life of Field Business Unit combines the UK, Canada and Norway with the Gulf of Mexico and i-Tech Division. This second Business Unit also incorporates a separately managed Life of Field business line.

Dividend

Reflecting challenges facing the oil and gas industry in the near to medium-term, and in order to preserve the Group's financial flexibility so that it can benefit from opportunities that may arise during the downturn, the Board of Directors will not recommend a dividend in respect of 2014 to the shareholders of Subsea 7 S.A. at the Annual General Meeting, scheduled for 17 April 2015.

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. We define Adjusted EBITDA as net income adjusted to exclude depreciation, amortisation and mobilisation costs, impairment charges or impairment reversals, finance income, other gains and losses (including gain on disposal of subsidiary and gain on distribution), finance costs and taxation. Adjusted EBITDA is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of our performance with prior periods or with other businesses. We define our Adjusted EBITDA margin percentage 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 adopted by the EU. These measures exclude items that can have a significant effect on the Group's income or loss and therefore should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with IFRS) as a measure of the Group's operating results or cash flows from operations (as determined in accordance with IFRS) as a measure of the Group's liquidity.

Management believes that Adjusted EBITDA and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the business. These non-IFRS measures provide management with a meaningful comparative for its various Territories, as they eliminate the effects of financing, depreciation and taxation. Management believes that the presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea 7's peer group and therefore believes it to be a helpful calculation for those evaluating companies within Subsea 7's industry. Adjusted EBITDA margin may also be a useful ratio to compare performance to its competitors and is widely used by shareholders and analysts following the Group's performance. Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

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

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Net operating (loss)/income	**(253.8)**	567.7
Depreciation, amortisation and mobilisation	**420.5**	376.3
Impairment of goodwill	**1,183.3**	–
Net impairment of property, plant and equipment	**88.8**	36.7
Adjusted EBITDA	**1,438.8**	980.7
Revenue	**6,869.9**	6,297.1
Adjusted EBITDA %	**20.9%**	15.6%

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

For the year ended (in $ millions)	**2014 31 Dec**	2013 31 Dec Re-presented
Net (loss)/income	**(381.2)**	344.2
Depreciation, amortisation and mobilisation	**420.5**	376.3
Net impairment of property, plant and equipment	**88.8**	36.7
Impairment of goodwill	**1,183.3**	–
Finance income	**(19.3)**	(22.1)
Other gains and losses	**(23.7)**	13.8
Finance costs	**18.7**	70.9
Taxation	**151.7**	160.9
Adjusted EBITDA	**1,438.8**	980.7
Revenue	**6,869.9**	6,297.1
Adjusted EBITDA %	**20.9%**	15.6%

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 35 '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.

ADDITIONAL INFORMATION CONTINUED

Investor relations and press enquiries
Shareholders, securities analysts, portfolio managers, representatives of financial institutions and the press may contact:

Isabel Green
Investor Relations Director
Email: isabel.green@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').

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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 2015 on the following dates:

Q1 2015 Results	29 April 2015
Q2 & H1 2015 Results	29 July 2015
Q3 2015 Results	11 November 2015
Q4 & FY 2015 Results	2 March 2016

2015 Annual General Meeting
17 April 2015 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 and Mediterranean Territory.
AIV	Underwater autonomous inspection vehicle.
APME	Asia Pacific and 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.
bbl	Barrel(s) of oil.
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.
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.
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.
Claims	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.
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).
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.
EBITDA	See Adjusted EBITDA.
Eidesvik Seven	Eidesvik Seven AS and Eidesvik Seven Chartering AS.
Electrically Trace Heated Pipe-in-Pipe (ETHP)	A high-performance Pipe-in-Pipe technology that offers enhanced flow assurance properties.
Enabling vessel	A pipelay and/or construction vessel that has the scale, versatility and flexibility to support the technically challenging demands of seabed-to-surface activities on a global basis.
ENMAR	ENMAR S.A.
EPIC	Engineering, Procurement, Installation and Commissioning.
EPS	Earnings Per Share.

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, Executive Vice President – Northern Hemisphere and Life of Field and Executive Vice President – Southern Hemisphere and Global Projects.
Flex-lay	A pipelay method for installing flexible pipelines, risers and in-line structures by spooling them 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.
Global Projects Centres	Part of a new Subsea 7 organisational structure which came into effect on 1 January 2015 and regroups the major project teams into Paris- and London-based centres which manage large, complex, technology-rich global projects.
Group	Subsea 7 S.A. and its subsidiaries.
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)	The HRT is an effective riser system which is applicable to deepwater and ultra-deepwater applications, and to spread-moored and turret-moored FPSO installations.
Hydrocarbon Sampling Skid	An ROV-deployed structure housing pumps and tools to enable sampling from live production wells.
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.
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.
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.
Lazy-wave Riser	A derivative of the Steel Catenary Riser system developed to improve fatigue performance and reduce payload on an FPSO turret in ultra-deep water.
Leading 7	A specialist Subsea 7 learning and development programme for management.
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	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).
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.
Nigerstar 7	Nigerstar 7 Limited and Nigerstar 7 FZE.
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.
Northern Hemisphere and Life of Field	Part of a new Subsea 7 organisational structure which came into effect on 1 January 2015 and regroups the UK, Canada and Norway with the Gulf of Mexico into one Business Unit. This also incorporates a separately managed global Life of Field business line, and the i-Tech Division.
NSC	North Sea and Canada Territory.
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.
Pipe-in-Pipe (PIP)	A 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.
PLET	Pipeline End Termination.
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.
Reel-lay	A pipelay method consisting of the onshore construction of a pipeline which is spooled onto a large vessel-mounted reel, transported to the field and unreeled down to the seabed.

GLOSSARY CONTINUED

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% vested in June 2014.
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.
SCM	Supply Chain Management.
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.
Sonacergy	Sonacergy – Servicos E Construcoes Petroliferas Lda (Zona Franca Da Madeira).
Sonamet	Sonamet Industrial S.A.
Southern Hemisphere and Global Projects	Part of a new Subsea 7 organisational structure which came into effect on 1 January 2015 and regroups the Brazil and APME Territories and operations in Africa into one Business Unit. This also incorporates Global Projects Centres in Paris and London.
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.
Steel Catenary Riser (SCR)	A steel pipe configured in a catenary shape that conducts well fluids from the seabed to a floating production vessel.
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 Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, 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 7 Malaysia	Subsea 7 Malaysia Sdn. Bhd.
Subsea 7 Mexico	Subsea 7 Mexico S de RL de CV
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.
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.
Tethered Catenary Riser (TCR)	A riser concept developed for deepwater field development consisting of a number of Steel Catenary Risers (SCRs) supported by a subsurface buoy tethered to the seabed.
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.
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.
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.
Variation Order	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.
VPS	Verdipapirsentralen, the Norwegian central securities depositary.
Year or 2014	The period of 12 months from 1 January 2014 to 31 December 2014.
$, 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.

OUR WORLD-CLASS FLEET

Subsea 7 had 39 vessels in the active fleet and five vessels under construction as at 31 December 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

Seven Waves

Skandi Neptune**

Skandi Seven**

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**

Siem Stingray**

* Owned and operated by a joint venture
** Long-term charter from a third-party vessel owner
*** Long-term charter from a joint venture between Subsea 7 and a third-party vessel owner

Seven Antares

*Sapura 3000**

*Oleg Strashnov**

*Stanislav Yudin**

Seven Osprey

Rockwater 1

Rockwater 2

Seven Phoenix

Vessels under construction

Seven Arctic

Seven Cruzeiro

Seven Kestrel

*Normand Oceanic****

Seven Rio

Seven Sun

*Subsea Viking***

Jack-up Vessel

Seven Inagha

Trenching Vessel

*Skandi Skansen***

…and 175 ROVs

Work-class ROVs

Observation-class ROVs

Drilling rig ROVs

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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