

**REPORT OF THE BOARD OF DIRECTORS OF SUBSEA 7 S.A.  
TO THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS ON  
NOVEMBER 27, 2014 PREPARED IN ACCORDANCE WITH LUXEMBOURG  
COMPANY LAW ARTICLE 32-3(5)**

- A. Reference is made to the Notice dated October 17, 2014 of the Extraordinary General Meeting of Shareholders of Subsea 7 S.A. (the "Company"), such meeting to be held in Luxembourg on November 27, 2014 (the "EGM") to *inter alia* approve (i) the reduction of the issued share capital of the Company and (ii) the extension and renewal of the authorised share capital and the authorisation to the Board of Directors of the Company to waive, suspend and/or limit Shareholders' pre-emptive subscription rights in respect of the Company's authorised but unissued capital.

The authorised share capital of the Company currently consists of 450,000,000 Common Shares, par value U.S. \$ 2.00 per share. As at September 12, 2014, 351,793,731 Common Shares were in issue. At the EGM, the Company's shareholders will resolve on the reduction of the issued share capital by cancellation of existing Treasury shares. The cancellation will result in the number of available authorised shares to be likewise reduced. In order to maintain flexibility, the Company's shareholders will be asked to renew the authorised share capital and set at U.S. \$ 900,000,000, to be represented by 450,000,000 Common Shares, par value U.S. \$ 2.00 per share so that, after taking into consideration the reduction of the issued share capital to be resolved upon, as described above, there are 117,832,933 unissued authorised Common Shares.

- B. Article Five, third paragraph, of the proposed amended Articles of Incorporation of the Company deals *inter alia* with Shareholders' pre-emptive rights and permits the Board of Directors of the Company, to the extent it deems advisable, to suppress Shareholders' pre-emptive subscription rights in respect of the issuance of authorised Common Shares of the Company for cash, during the validity of the authorised Common Shares for a five (5) year period from the date of publication of the Minutes of the EGM.
- C. In conformity with the relevant provisions of the Luxembourg Company Law, this Report is the Board's recommendation to the Shareholders in respect of such authorisation to the Board to waive, suspend and/or limit Shareholders' pre-emptive subscription rights in respect of Common Shares of the Company.
- D. Subsea 7 S.A. has issued a number of instruments giving access to its share capital.

These instruments comprise options and share awards in relation to Common Shares in the Company and the U.S.\$700 million 1% convertible bonds due 2017 issued by Subsea 7 S.A. in 2012.

- E. Further information on these options, share awards and convertible loan notes is disclosed on our website [www.subsea7.com](http://www.subsea7.com).
- F. Shareholders are also reminded that at the extraordinary general shareholders meeting held on November 9, 2010, the shareholders have authorised the Board of Directors to suppress pre-emptive subscription rights of shareholders within the then approved authorised share capital of USD 450,000,000 for a period of five (5) years ending on December 3, 2015. The authorisation

granted at that time will be replaced by the new authorisation sought at the EGM.

- G. The Board is of the opinion that the interest of the Company requires that maximum flexibility is granted to the Company in order to be able to react quickly and without delay to proceed to acquisitions and investments as and when the opportunities arise or to react to undesired or unsolicited offers. In order to be able to make acquisitions and investments the Company will have to ensure that the appropriate funding of the proposed or contemplated acquisitions are in place and therefore proceed to issues of shares, or any securities or rights convertible or exchangeable or giving rights to shares, prior to, at the time of or after such acquisitions with the proceeds of such issues of shares or securities giving rights to shares. Furthermore, the Board is of the view that the ability for the Company to be in a position to issue shares is important for the Company in order to be able to attract different types of investors and thereby benefit from more funding opportunities or to oppose an undesired or unsolicited offer.
- H. In light of the foregoing factors, the Board of Directors of the Company recommends, and seeks the authority of the Shareholders for the Board to implement, the waiver, suppression and/or limitation of Shareholders' pre-emptive subscription rights in respect of the issuance of shares for cash with respect to all authorised but unissued Common Shares, in particular in the following circumstances:
- (a) to issue Common Shares for cash whether in a private transaction or in a public offering at such price as determined by the Board of Directors of the Company (including below market value if deemed by the Board of Directors to be in the best interest of the Company) in order to enlarge or diversify the shareholder base through the entry of new investors; and
  - (b) to issue or offer Common Shares in connection with participation, financing, joint venture or other strategic proposals, strategies or projects and/or to secure financing if the Board of Directors of the Company determines same to be in the best interest of the Company (including below market value if deemed by the Board of Directors to be in the best interest of the Company)

provided that no Common Shares shall be so issued pursuant to subsection (a) or (b) hereof at a price of less than seventy-five percent (75%) of the market value determined by the average closing price for such Common Shares on the Oslo Stock Exchange for the ten most recent trading days prior to such transaction and further provided that Common Shares shall be issued otherwise on the terms and conditions set forth in such Report, including where the issue price is less than the "par value" of a Common Share (U.S. \$2.00), the Board of Directors shall be authorised to proceed with any such transaction and to transfer from the "paid-in" surplus ("free reserves") account of the Company to the par value account of the Company any such deficiency between the par value and the issue price of any such shares.

The foregoing will not prejudice the issuance of Common Shares under all share option, share award and equity incentive plans of the Company – subject to the conditions mentioned therein (including, as the case may be,

below market value, at par value, at a discount, for free and by way of incorporation of any surplus, premium, any reserves, profits or otherwise), or under the terms and conditions of the Company's existing US\$700 million 1% Convertible Bonds.

- I. Accordingly, in view of the foregoing factors, the Board of Directors of the Company believes that it is in the best interest of the Company [and its shareholders] to have the flexibility to issue shares (or without limitation, securities and instruments giving right to shares or convertible or exchangeable into shares) in order to maintain its independence, develop its business, protect its status and/or dispose of the possibility to react to circumstances requiring the issuance of shares (directly or indirectly) at such prices as the Board may determine in accordance with the above, and either with a premium or at par value or below par value including by way of incorporation of reserves and that the Board be authorised to waive, suspend and/or limit preferential or pre-emptive subscription rights in respect of the issuance of authorised Common Shares of the Company for a five (5) year period, which period will commence at the day of the EGM and end on the fifth anniversary of the date of publication of the Minutes of the EGM in the Luxembourg legal gazette, the Memorial C.

The Board of Directors of the Company