

**Subsea 7 S.A.**  
**(formerly known as Acergy S.A.)**  
**Société Anonyme**

**ANNUAL ACCOUNTS**  
**AND**  
**REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

**DECEMBER 31, 2011**

412 F, route d'Esch  
L-2086  
Luxembourg  
R.C.S. Luxembourg No. B43172

**Subsea 7 S.A.**  
**(formerly known as Acergy S.A.)**

**TABLE OF CONTENTS**

	Pages
Report of the réviseur d'entreprises agréé	1 – 2
Report to the Board of Directors	3 – 6
Balance sheet as at December 31, 2011	7
Profit and loss account for the 13 months ended December 31, 2011	8
Notes to the annual accounts as at December 31, 2011	9 - 25

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

Deloitte Audit  
Société à responsabilité limitée

560, rue de Neudorf  
L-2220 Luxembourg  
B.P. 1173  
L-1011 Luxembourg

Tel: +352 451 451  
Fax: +352 451 452 992  
[www.deloitte.lu](http://www.deloitte.lu)

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

### **Report on the annual accounts**

Following our appointment by the General Meeting of the Shareholders dated 27 May 2011, we have audited the accompanying annual accounts of Subsea 7 S.A. (formerly Acergy S.A.), which comprise the balance sheet as at 31 December 2011 and the profit and loss account for the period from 1 December 2010 to 31 December 2011, and a summary of significant accounting policies and other explanatory information.

### *Responsibility of the Board of Directors for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts 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 annual accounts 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 annual accounts are free from material misstatement.

# Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 annual accounts.

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 annual accounts give a true and fair view of, the financial position of Subsea 7 S.A. as of 31 December 2011, and of the results of its operations for the period from 1 December 2010 to 31 December 2011 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

## **Report on other legal and regulatory requirements**

The directors' report, which is the responsibility of the Board of Directors, is consistent with the annual accounts and includes the information required by the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*



Eddy Termaten, *Réviseur d'entreprises agréé*  
Partner

15 March 2012

**Report of the Board of Directors to the Annual General Meeting of  
SUBSEA 7 S.A. (the “Company”)  
(formerly known as Acergy S.A.)  
to be held at the registered office at 412 F, route d’Esch, L-2086 Luxembourg.  
JUNE 22, 2012**

Dear Shareholders:

We are pleased to submit for your approval the Balance Sheet as of December 31, 2011 and the Profit and Loss Account for the period then ended.

The investment in subsidiaries together with participating interests amounted to \$4,605,660,000 at December 31, 2011. During the period no dividends were declared and received from subsidiaries. The net loss for the period ended December 31, 2011 was \$12,772,000. No dividend was paid in respect of the year ended November 30, 2010. After allocation of the loss to retained earnings, the balance to be carried forward is \$62,770,000.

The Luxembourg tax law which provided for a special tax regime for 1929 Holding Companies expired on December 31, 2010. As of January 1, 2011, the 1929 regime ceased to exist and Subsea 7 S.A. became an ordinary taxable Luxembourg company.

The acquisition by the Company of Subsea 7 Inc. was completed on January 7, 2011 after closing of the Oslo Børs. The Company issued 156,839,759 new shares to the Subsea 7 Inc. shareholders in consideration for the issue to the Company of all Subsea 7 Inc. shares, at which point, the shares of Subsea 7 Inc. were delisted. In its statutory accounts, the Company recognised an increase of share capital of \$313,679,518 and an allocation to share premium of \$3,020,687,748 from January 7, 2011.

Upon completion the Company’s name changed to Subsea 7 S.A. and the restated Articles of Incorporation approved by Acergy S.A.’s shareholders on November 9, 2010 and the appointment of the Board became effective. The first day of trading in the shares of the new Group, Subsea 7 S.A., was January 10, 2011.

On December 1, 2010 the Company contributed \$80,000,000 to the capital of Acergy (Gibraltar) Limited. No consideration or additional shares were provided by Acergy (Gibraltar) Limited for this consideration.

On December 7, 2010 the Company incorporated Acergy Holdings (Gibraltar) Limited with an initial share capital of \$1,001 comprising 1,001 ordinary shares of \$1.00 each.

On December 7, 2011 the Company contributed \$100,000,000 to the capital of Acergy (Gibraltar) Limited. No consideration or additional shares were provided by Acergy (Gibraltar) Limited for this consideration.

Effective upon completion of the combination on January 7, 2011, the Company agreed to be a co-borrower for \$275 million 3.5% Convertible Notes issued by Subsea 7 Inc.

On January 10, 2011 Acergy Holdings (Gibraltar) Limited issued further share capital of \$999 comprising 999 ordinary shares of \$1.00 each.

On January 10, 2011 the Company contributed \$3,334,367,000 to the capital of Acergy Holdings (Gibraltar) Limited in exchange for the issue and allotment of 10,000 authorised redeemable preference A shares of \$1.00 each.

On September 21, 2011 the Company contributed the entire share capital of Jarius Investments Limited to Acergy B.V. by way of an informal capital contribution. The Board noted the internal valuation of Jarius Investments Limited at book value of \$282,307,000.

On September 22, 2011 the Company contributed the entire share capital of Acergy B.V. to Acergy Holdings (Gibraltar) Limited by way of capital contribution without issue of additional shares. The Board noted the internal valuation of Acergy B.V. at book value of \$521,517,000.

**Report of the Board of Directors to the Annual General Meeting of  
SUBSEA 7 S.A. (the “Company”)  
(formerly known as Acergy S.A.)  
to be held at the registered office at 412 F, route d’Esch, L-2086 Luxembourg.  
JUNE 22, 2012**

On February 15, 2011 the Company announced its intention to apply for voluntary delisting from NASDAQ and to deregister and terminate its reporting obligations under the Securities and Exchange Act of 1934. Delisting was effective on March 7, 2011.

**Corporate Governance**

The Board 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.

**Corporate Governance at Subsea 7**

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

The Board 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 is to proactively encourage, monitor and safeguard this governance culture. The Board and its Committees oversee the management of the Group’s operations and the effectiveness of Subsea 7’s internal controls.

The work of the Board is based on the existence of a clearly defined division of roles and responsibilities between the shareholders, the Board and the Group’s Executive Management Team.

Our governing structures and controls help to ensure that we run our business in an appropriate manner for the benefit of our shareholders, employees and other stakeholders in the societies in which we operate.

**Legal and regulatory framework**

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 law and regulation with respect to corporate governance. As a company listed on the Oslo Børs, the Company follows the Norwegian Code of Corporate Governance (the ‘Code’) for non-Norwegian incorporated companies on a ‘comply or explain’ basis, where these do not contradict Luxembourg laws and regulations. The Code is available at <http://www.nues.no/English/The Norwegian Code of Practice for Corporate Governance>.

The Group’s corporate governance policies and procedures are explained in the annual report as at December 31, 2011 which is available at <http://www.subsea7.com/investors-press/financial-results-and-publications/annual-reports.html>.

**Report of the Board of Directors to the Annual General Meeting of  
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JUNE 22, 2012**

**Subsequent events**

**Sale of NKT Flexibles**

On February 3, 2012, the Boards of NKT Holding A/S and Subsea 7 S.A. announced the sale of their Joint venture NKT Flexibles to National Oilwell Varco (NOV) for a total consideration of DKK 3.8 billion. The transaction is subject to customary closing conditions, including approval from the relevant competition authorities, and is expected to close during the first half of 2012.

The transaction will lead to a gain on disposal within the Subsea 7 Group which is expected to be recognised in 2012.

**SEC Deregistration**

On March 1, 2012, the Group announced its intention to make the necessary filings with the Securities and Exchange Commission (SEC) on March 8, 2012 to voluntarily deregister and terminate its reporting obligations under the Securities Exchange Act of 1934.

On March 8, 2012, said filings were made and the Company's SEC reporting obligations were suspended, therefore, the Company will not be required to file an Annual Report on Form 20-F for the 2011 fiscal year which ended on December 31, 2011. Deregistration is expected to be final and effective on June 7, 2012.

**Board Changes**

On March 5, 2012 Mel Fitzgerald resigned from the Board of Directors for personal reasons, with immediate effect.

**Dividend**

Based on the Group’s continued strong performance, the Company’s robust balance sheet at the end of 2011 and confidence in the future, the Board proposes that a special dividend of \$0.60 per share will be paid to shareholders in July 2012. This dividend is subject to approval by shareholders at the 2012 AGM in June 2012.

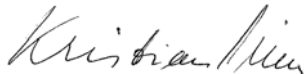
**Share buyback**

On March 15, 2012 the Board recommended a share buyback programme of up to \$200 million. The programme has been approved pursuant to the standing authorisation granted to the Board at the Annual General Meeting held on May 27, 2011 which allows for the purchase of up to a maximum of 10% of the Company’s issued share capital, net of purchases already made. It is expected that this buyback programme will be carried out over the next twelve months.

Any such repurchases of own shares will be made through open market repurchases on the Oslo Børs, pursuant to certain conditions and provided such purchases are in conformity with Article 49-2 of the Luxembourg Company Law implementing the EU Commission Regulation 2273/2003 on exemptions for buyback programmes and stabilization of financial instruments. The repurchased shares will either be cancelled or held as treasury shares to meet obligations arising under notes convertible into shares of the Company or any employee share option schemes.

**Report of the Board of Directors to the Annual General Meeting of  
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to be held at the registered office at 412 F, route d’Esch, L-2086 Luxembourg.  
JUNE 22, 2012**

By special vote we ask you to discharge the Directors of the Company for the period ended December 31, 2011.



Kristian Siem  
Chairman



Jean Cahuzac  
Director - CEO

March 15, 2012



**SUBSEA 7 S.A.**  
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**BALANCE SHEET**  
**As at December 31, 2011**  
**and November 30, 2010**

(\$'000)

ASSETS	Notes	2011	2010	LIABILITIES	Notes	2011	2010
FINANCIAL ASSETS				CAPITAL AND RESERVES			
Shares in affiliated undertakings	3	4,586,837	1,072,467	Subscribed capital	5	703,587	389,908
Participating interests	3	18,823	18,823	Share premium account	5	3,315,248	325,928
				Reserves			
				Treasury stock reserve	5	-	-
CURRENT ASSETS				Legal reserve	5, 6	70,359	38,991
Debtors	4	348,854	60,626	Profit/(Loss) brought forward	5	75,542	(74,198)
Cash at bank		661	240,085	(Loss)/ profit for the financial period	5	(12,772)	149,740
PREPAYMENTS AND ACCRUED INCOME	2.5	2,447	3,762	SHAREHOLDERS' EQUITY	5	4,151,964	830,369
				CREDITORS	10	30,658	65,394
				CONVERTIBLE LOAN NOTES	14	775,000	500,000
<b>TOTAL ASSETS</b>		<b>4,957,622</b>	<b>1,395,763</b>	<b>TOTAL LIABILITIES</b>		<b>4,957,622</b>	<b>1,395,763</b>

The accompanying notes form an integral part of these annual accounts.

**SUBSEA 7 S.A.**  
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**PROFIT AND LOSS ACCOUNT**  
**For the 13 months ended December 31, 2011**  
**and the 12 months ended November 30, 2010**

(\$'000)

	<b>Note s</b>	<b>2011</b>	<b>2010</b>		<b>Notes</b>	<b>2011</b>	<b>2010</b>
<b>CHARGES</b>				<b>INCOME</b>			
Parent company guarantees – charges	11	20,610	16,756	Parent company guarantees – income	11	20,610	16,756
Interest payable and similar charges				Income from participating interests			
In respect of affiliated undertakings		-	226	Dividend income in respect of affiliated undertakings		-	190,047
Other interest and similar charges		23,156	12,584	Other interest receivable and similar income			
Other charges	7, 12	3,207	47,161	In respect of affiliated undertakings		9,766	-
Tax on profit or loss	13	-	486	Other interest and similar income		20	66
Profit for the financial year		-	149,740	Other costs reimbursement		-	6,574
				Gain on sale of treasury shares	15	-	13,510
				Other income	8	3,787	-
				Loss for the financial period		12,772	-
				Tax on profit or loss	13	18	-
<b>TOTAL CHARGES</b>		<b>46,973</b>	<b>226,953</b>	<b>TOTAL INCOME</b>		<b>46,973</b>	<b>226,953</b>

The accompanying notes form an integral part of these annual accounts.

**SUBSEA 7 S.A.**  
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**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 1 – ORGANISATION**

Subsea 7 S.A. (“the Company”) is a holding company incorporated under the laws of Luxembourg on March 10, 1993. The Company has been incorporated for an unlimited period of time.

During the financial year ended November 30, 2010 and until December 31, 2010 (inclusive) the Company enjoyed the special tax status granted to billionaire holding companies under the law of July 31, 1929 and the Grand-Ducal Decree of December 17, 1938, the object of the Company was to invest in subsidiaries which will provide subsea construction, maintenance, inspection, survey and engineering services, predominantly for the offshore oil and gas industry. More generally, the Company was authorised to 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 any other means of all shares, stocks, debentures, bonds or securities; the acquisition of patents and licenses it will administer and exploit; it was authorised to lend or borrow with or without security, provided that any monies so borrowed may only be used for the purpose of the Company, or companies which are subsidiaries of or associated with or affiliated to the Company; in general it was authorised to undertake any operations directly or indirectly connected with these objects whilst nevertheless remaining within the limits set out by the law on holding companies of July 31, 1929. The references to the limitation under the law of July 31, 1929 automatically fell away on midnight of December 31, 2010 and the object clause of the Company was amended effective January 7, 2011 to reflect its changed tax status.

On January 7, 2011, the Company changed its name to Subsea 7 S.A.

The Company also prepares consolidated financial statements in conformity with International Financial Reporting Standards as issued by the IASB and as adopted by the European Union. Copies of these consolidated financial statements are available at the registered office of the Company, 412F, route d’Esch, L-2086 Luxembourg.

The Company is reimbursed by its subsidiaries for certain general expenses incurred on behalf of the subsidiaries.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company maintains its books and records in US Dollars, and presents its annual accounts in accordance with generally accepted accounting principles in Luxembourg, applicable at the financial year end, which include the following significant accounting policies:

**2.1 Format of financial statements**

In accordance with Article 26 of the law of December 19, 2002 the financial statements are presented with certain modifications to the general legal format requirements. In the opinion of the Directors, this is necessary in order to present the financial position and results of the Company to the reader with the utmost clarity.

**SUBSEA 7 S.A.**  
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**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Investments**

Investments are stated at cost less any permanent impairment in value. Article 51 (e) of the Law of December 19, 2002 foresees that assets and liabilities are to be valued on an individual basis. An annual impairment review is performed on an individual investment basis and any impairments of the cost would lead to value adjustments. Earnings in investee companies are recognised when, and to the extent, dividends are received from investee companies.

**2.3 Translation of foreign currencies**

The Company maintains its accounts in the currency in which the capital is expressed, i.e. in US Dollars and the annual accounts are expressed in this functional currency. Amounts in foreign currencies are translated into the functional currency on the following basis:

- Formation expenses, the cost of acquisition of intangible, tangible and financial fixed assets denominated in a currency other than the functional currency are translated at historical exchange rates;
- All other assets denominated in a currency other than the functional currency are valued individually at the lower of their counter values translated into functional currency at their historical exchange rate or exchange rate prevailing at the balance sheet date;
- All liabilities denominated in a currency other than the functional currency are valued individually at the higher of their counter values translated at historical exchange rate or exchange rate prevailing at the balance sheet date;
- Revenues and expenses denominated in a currency other than the functional currency are translated into the functional currency at the exchange rates applicable on the day they are collected or disbursed.

Only realised exchange gains and losses and unrealised exchange losses are reflected in the profit and loss account.

**2.4 Share-based payments**

Share-based payments for the Company are settled by its affiliates and therefore the Company does not account for these costs. Share based payments are measured at fair value at the date on which they are granted. The fair value is determined using a Black-Scholes model. The cost of share-based payments transactions is recognised over the period by its affiliates 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'). In the case of delivery, the Company will be reimbursed by its affiliates.

**SUBSEA 7 S.A.**  
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**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 Convertible Notes**

On October 11, 2006 the Company issued \$500 million 2.25% Convertible Notes due 2013.

On January 6, 2011 the Company agreed to be a co-borrower for \$275 million 3.5% Convertible Notes issued by Subsea 7 Inc.

The Convertible Notes are accounted for as a debt instrument. The costs incurred in connection with the issuance of the Convertible Notes are treated as a deferred debt cost and amortised over the life of the Convertible Notes. If the Convertible Notes are converted at the option of the holders the deferred debt cost will be expensed immediately.

**NOTE 3 – SHARES IN AFFILIATED UNDERTAKINGS AND PARTICIPATING INTEREST**

	(\$'000)	Shares in affiliated undertakings	Participating interests	Total
Acquisition costs as at beginning of the period		1,072,467	18,823	1,091,290
- Incorporation of affiliated undertaking		1	-	1
- Additional contribution		4,035,886	-	4,035,886
- Disposal of affiliated undertakings		(521,517)	-	(521,517)
Balance as at December 31, 2011		<u>4,586,837</u>	<u>18,823</u>	<u>4,605,660</u>

The Company accounts for its shares in affiliated undertakings and its participating interests at historical cost. The direct subsidiaries of the Company at December 31, 2011 and November 30, 2010 are as follows:

Name of the company	Country	Percentage held		Cost (\$'000)	
		2011	2010	2011	2010
Acergy Holdings (Gibraltar) Limited.	Gibraltar	100%	-	3,855,887	-
Acergy B.V.	Netherlands	-	100%	-	239,210
Acergy (Gibraltar) Limited	Gibraltar	100%	100%	730,950	550,950
Jarius Investments Limited	Gibraltar	-	100%	-	282,307
Acergy Shipping Limited	United Kingdom	< 1%	< 1%	18,823	18,823
				<u>4,605,660</u>	<u>1,091,290</u>

**SUBSEA 7 S.A.**  
**(formerly known as Acergy S.A.)**

**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 3 – SHARES IN AFFILIATED UNDERTAKINGS AND PARTICIPATING INTERESTS**  
**(continued)**

On December 1, 2010 the Company contributed \$80,000,000 to the capital of Acergy (Gibraltar) Limited. No consideration or additional shares were provided by Acergy (Gibraltar) Limited for this consideration.

On December 7, 2010 the Company incorporated Acergy Holdings (Gibraltar) Limited with an initial share capital of \$1,001 comprised 1,001 ordinary shares of \$1.00 each.

On December 7, 2011 the Company contributed \$100,000,000 to the capital of Acergy (Gibraltar) Limited. No consideration or additional shares were provided by Acergy (Gibraltar) Limited for this consideration.

On January 10, 2011 the Company contributed \$3,334,367,000 to the capital of Acergy Holdings (Gibraltar) Limited in exchange for the issue and allotment of 10,000 authorised redeemable preference A shares of \$1.00 each.

On January 10, 2011 Acergy Holdings (Gibraltar) Limited issued further share capital of \$999 comprising 999 ordinary shares of \$1.00 each.

On September 21, 2011 the Company contributed the entire share capital of Jarius Investments Limited to Acergy B.V. by way of an informal capital contribution. The Board noted the internal valuation of Jarius Investments Limited at book value of \$282,307,000.

On September 22, 2011 the Company contributed the entire share capital of Acergy B.V. to Acergy Holdings (Gibraltar) Limited by way capital contribution without issue of additional shares. The Board noted the internal valuation of Acergy B.V. at book value of \$521,517,000.

**NOTE 4 – DEBTORS**

**2011 (\$'000)**

Amount due from affiliated undertakings	348,854
	<u>348,854</u>

**2010 (\$'000)**

Amount due from affiliated undertakings	60,626
	<u>60,626</u>

**SUBSEA 7 S.A.**  
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**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 5 – SHAREHOLDERS’ EQUITY**

(\$'000)	Subscribed capital	Share premium account	Legal Reserve	Retained earnings/ (loss)	Total
Balance as at December 1, 2010	389,908	325,928	38,991	75,542	830,369
- Issuance of share capital	313,679	3,020,688	-	-	3,334,367
- Legal Reserve	-	(31,368)	31,368	-	-
- Result for the year	-	-	-	(12,772)	(12,772)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance as at December 31, 2011	<u>703,587</u>	<u>3,315,248</u>	<u>70,359</u>	<u>62,770</u>	<u>4,151,964</u>

On January 7, 2011, the Company issued 156,839,759 new common shares to the Subsea 7 Inc. shareholders in consideration for the issue to the Company of all Subsea 7 Inc. shares, at which point, the shares of Subsea 7 Inc. were delisted. In its statutory accounts, the Company recognised an increase of share capital of \$313,679,518 and an allocation to share premium of \$3,020,687,748 from January 7, 2011.

As at December 31, 2011, the authorised share capital comprised 450,000,000 \$2.00 common shares (2010: 450,000,000). The subscribed capital comprised 351,793,731 \$2.00 common shares (2010: 194,953,972).

**NOTE 6 - LEGAL RESERVE**

Luxembourg law requires that 5% of the Company’s net income each year is allocated to a legal reserve before declaration of dividends. This requirement continues until the reserve is 10% of its stated capital, as represented by common shares, after which no further allocations are required until further issuance of shares. The legal reserve may also be satisfied by allocation of the required amount at the issuance of shares or by a transfer from share premium. The legal reserve is not distributable. The legal reserve for all outstanding common shares has been satisfied and appropriate allocations are made to the legal reserve account at the time of each issuance of new shares.

**NOTE 7 – OTHER CHARGES**

(\$'000)	2011	2010
Administrative expenses	3,170	5,793
Statutory audit fees	37	51
Net foreign currency exchange losses	-	18,083
Impairment loss in respect of subsidiary undertaking	-	23,234
	<u>          </u>	<u>          </u>
	<u>3,207</u>	<u>47,161</u>

**SUBSEA 7 S.A.**  
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**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 8 – OTHER INCOME**

(\$'000)	2011	2010
Net foreign currency exchange gains	3,787	-
	<u>3,787</u>	<u>-</u>

**NOTE 9 – LONG-TERM INCENTIVE SCHEMES**

Share based payments for the Company are settled by its affiliates and therefore the Company does not account for these costs.

The Group operates the following long term incentive schemes:

**2003 Plan**

The Company operates a share option plan which was approved in April 2003 (the '2003 Plan'). This plan includes an additional option plan for key directors and employees resident in France as a sub-plan (the 'French Plan'), and additional options which are granted under the Senior Management Incentive Plan (SMIP). A Compensation Committee appointed by the Board administers these plans. Options are awarded at the discretion of the Compensation Committee to directors and key employees.

Under the 2003 Plan options up to but not exceeding 6.3 million common shares can be granted. Following shareholder approval at the Extraordinary General Meeting held on December 18, 2008, the 2003 Plan was expanded to cover up to 8.7 million shares. This plan replaced the previous plan (the '1993 Plan'). Any options granted under the French Plan are included as part of this limit. Other than options granted under the SMIP, options under the 2003 Plan (and therefore also under the French Plan) may be granted, 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. Such options vest 25% on the first anniversary of the grant date, with an additional 25% vesting on each subsequent anniversary. The cost of these non-performance share options are therefore recognised using the graded vesting attribution method. Share option exercises are satisfied by either issuing new shares or 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.

In the period no common share options were granted (2010: nil common share options), and no options were granted under the French Plan (2009: nil options).

**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 December 17, 2009. The 2009 LTIP is an essential component of the Company's compensation policy, and was designed to place the Company on a par with competitors in terms of recruitment and retention abilities. The 2009 LTIP provides for whole share awards, which vest after three to five years, based on continued service and the performance conditions set out below:



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**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 9 – LONG-TERM INCENTIVE SCHEMES (continued)**

**2009 Long-Term Incentive Plan (continued)**

Performance conditions are based on relative Total Shareholder Return ('TSR') against a specified comparator group of 10 companies determined over a three year period. The Company would have to deliver TSR above the median for any awards to vest. At the median level, only 30% of the maximum award would vest. The maximum award would only be achieved if the Company achieved top decile TSR (i.e. if, when added to the comparator group, the Company was first in terms of TSR performance). In addition, individual award caps have been introduced. No senior executive or other employee may be granted shares under the 2009 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 his or her annual base salary as of the first day of said year. Additionally, a holding requirement for senior executives has been introduced. Senior executives must hold 50% of all awards that vest until they have built up a shareholding of 1.5 x salary, which must be maintained.

The 2009 LTIP currently covers approximately 120 senior managers and key employees. Grants are determined by the Company's Compensation Committee, which is responsible for operating and administering the plan. The 2009 LTIP has a five-year term with awards being made annually. The aggregate number of shares subject to all awards 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.

In 2011, awards were made over a further 537,500 performance shares (2010: 970,000), subject to the 2009 LTIP's performance conditions, in conjunction with which 331,000 shares (2010: 583,000) were transferred to an Employee Benefit Trust from Treasury Shares previously held indirectly by Subsea 7 Investing (Bermuda) Limited.

The expected life of the share is the vesting period on which the shares will be issued after the vesting period is complete, provided the performance criteria is met. The expected volatility over the expected term is estimated from the Company's historical volatility. For the 2011 award the expected dividend took into account the expected dividends over the three year vesting period assuming growth of 0% (2010: 5%) over the dividend yield of 0% (2010: 2.6%).

**Restricted share plan**

In March 2008 the Board approved and adopted a restricted share plan to provide a retention incentive to selected senior executives. In April 2008, 65,000 restricted shares were issued to selected senior executives as part of the retention incentive of the plan. These shares had a fair value of \$22.23, representing the market price on the date of issue. No further restricted shares have been issued under the Restricted Share Plan and these shares vested during the period.

**SUBSEA 7 S.A.**  
**(formerly known as Acergy S.A.)**

**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 9 – LONG-TERM INCENTIVE SCHEMES (continued)**

**Special Incentive Plan 2009**

Subsequent to November 30, 2009, but prior to the adoption of the 2009 Long-Term Incentive Plan, described above, and as an interim measure, the Company put in place the Special Incentive Plan 2009 ('SIP 2009'), a cash-settled incentive plan designed to provide awards to selected executives and key employees, thus further aligning their interests with those of shareholders. Awards under the SIP 2009 are in the form of a cash bonus, payable in April 2012, of between zero and twelve months' base salary, dependent on the Company's average share price as quoted on Oslo Børs between January 1, 2012 and March 31, 2012. If the average share price over that period is \$8.75 or less, no cash bonus will be payable. If the average share price over that period is \$35.00 or more, a cash bonus equal to twelve months' base salary will be payable. If the average share price over that period is between \$8.75 and \$35.00, a cash bonus equal to between zero and twelve months' base salary will be payable, calculated on a straight-line basis pro rata to the share price. Awards under the SIP 2009 are capped at the equivalent of twelve months' base salary. No other performance criteria apply.

**Subsea 7 Inc. schemes**

As part of the combination the Company replaced the share options and restricted stock units issued by Subsea 7 Inc. This amounted to 1.8 million restricted shares and 0.2 million share options. 88% of the share options had already vested on acquisition with the remainder vesting by September 2012.

**Subsea 7 Inc. restricted stock award plan**

Certain employees of the Group were awarded, prior to the Combination, a total of 1.7 million shares. On Combination these awards were replaced by the Company with 1.8 million restricted stock awards, at the exchange ratio 1.065 replacement restricted share for each previously awarded restricted share. The shares had a fair value of \$25.19 (NOK 151.3) per share equivalent to the market price on the Combination date.

The awards will normally vest and shares will be issued or transferred to the employee subject to the employee remaining in employment with the Group until the vesting dates that are specified in the award certificate. 60% of the awards will normally vest in June 2012, and the remaining 40% of the awards will normally vest in June 2014.

Awards will not attract any dividends or dividend equivalents prior to the delivery of shares. Participants will not have any voting rights in respect of the vested number of shares awarded prior to the delivery of the shares. All shares allotted under the share plan carry the same rights as any other issued ordinary shares in the Company. US participants who receive awards in the form of restricted stock are required to waive voting and dividend rights during the restricted period as a term of the award.

**SUBSEA 7 S.A.**  
(formerly known as Acergy S.A.)

**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 10 – CREDITORS**

<b>2011 (\$'000)</b>	<b>Less than one year</b>	<b>One to five years</b>	<b>Total</b>
Amount owed to affiliated undertakings	56	24,809	24,865
Other creditors	5,793	-	5,793
	<u>5,849</u>	<u>24,809</u>	<u>30,658</u>
<b>2010 (\$'000)</b>	<b>Less than one year</b>	<b>One to five years</b>	<b>Total</b>
Amount owed to affiliated undertakings	-	62,167	62,167
Other creditors	3,227	-	3,227
	<u>3,227</u>	<u>62,167</u>	<u>65,394</u>

**NOTE 11 - COMMITMENTS AND GUARANTEES**

The Company arranges bank guarantees, which collectively refer to bank guarantees, performance bonds, bid bonds, advance payment bonds, guarantees or standby letters of credit in respect of the performance obligations certain of its subsidiaries have towards their clients in connection with work on specific projects.

**Facilities**

The following facilities, entered into by affiliated undertakings, were guaranteed by the Company as at December 31, 2011:

**The \$1 billion multicurrency revolving credit and guarantee facility (\$1 billion facility)**

The \$1 billion facility executed with a number of banks can be used in full for the issuance of guarantees, or for a combination of guarantees and cash drawings subject to a \$500 million sub-limit for cash drawings. The \$1 billion facility is guaranteed by the Company, Class 3 Shipping Limited, Subsea 7 Shipping Limited, Subsea 7 Treasury (UK) Limited, Subsea 7 Inc and Subsea 7 Limited. Final maturity is August 10, 2015. However, in accordance with the terms of the agreement, performance guarantees can be issued with up to 78 months duration up to one month prior to the final maturity date of the facility, subject to the Group providing cash cover for any guarantees outstanding following the final maturity date.

Interest on the \$1 billion facility is payable at LIBOR plus a margin which is linked to the Group's leverage, measured as the ratio of net debt to adjusted EBITDA, and which may range from 1.75% to 2.75% per year. The fee applicable for guarantees is linked to the same ratio of net debt to adjusted EBITDA and may range from 1.75% to 2.75% per year in respect of financial guarantees and 0.88% to 1.38% in respect of performance guarantees. The margin and guarantee fee are reset quarterly in line with changes in the Group's leverage.

**SUBSEA 7 S.A.**  
**(formerly known as Acergy S.A.)**

**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 11 - COMMITMENTS AND GUARANTEES (continued)**

**Seven Havila Loan**

Acergy Havila Limited is a 50/50 joint venture between Acergy (Gibraltar) Limited (wholly owned by the Company) and Havila Shipping Pte Ltd. (wholly owned by Havila Shipping ASA). On October 14, 2008 Acergy Havila Limited completed a loan with Eksportfinans and guarantee facility for post-delivery financing of up to NOK977.5 million (\$176.3million), with total loan of NOK1,086.75 million of which NOK109.25 million is available at defined future dates within the facility, for the purchase of a dive support vessel to be owned by the joint venture following delivery in 2012. The final termination date of the facility is no later than 28 February 2021.

A first priority mortgage on the vessel has been provided as security on the facility. A charter guarantee has been provided by the Company. In the event of an event of default occurring this turns into a several guarantee to be shared 50/50 by the Company and Havila Shipping ASA.

Interest on the drawn loan facility is at a fixed rate of 4.65% per year until 2016 when the rate will be set by reference to commercial interest rates in 2016. An additional facility is also available at NIBOR plus 1.65% with guarantee commission payable at 1% per year.

Utilisation of the \$1 billion facility and the Seven Havila Loan:

	<b>2011</b>			<b>2010</b>		
	<b>Utilised</b>	<b>Unutilised</b>	<b>Total</b>	<b>Utilised</b>	<b>Unutilised</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash loans	158,900	517,400	676,300	-	509,300	509,300
Guarantee facilities	293,000	207,000	500,000	330,300	318,000	648,300
<b>Total</b>	<b>451,900</b>	<b>724,400</b>	<b>1,176,300</b>	<b>330,300</b>	<b>827,300</b>	<b>1,157,600</b>

**Bank overdraft and short-term lines of credit**

The overdraft facilities consist of \$8.6 million (2010: \$35.5 million) of which \$Nil (2010: \$Nil) was drawn as at December 31, 2011.

**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 of utilisation of these facilities was \$289.6 million.

**SUBSEA 7 S.A.**  
**(formerly known as Acergy S.A.)**

**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 11 - COMMITMENTS AND GUARANTEES (continued)**

**Guarantee arrangements with joint ventures**

SapuraAcergy 7 Assets Pte Ltd ('SAPL'), previously known as Nautical Vessels Pte Ltd., is a 50/50-owned joint venture between Nautical Essence Sdn. Bhd. (wholly owned by SapuraCrest Petroleum Berhad) and Acergy (Gibraltar) Limited (wholly owned by the Company).

In 2007 the respective parent companies issued a Charter Guarantee guaranteeing the charter payments from the charterer of *Sapura 3000*, SapuraAcergy Sdn. Bhd. vessel to the vessel owner, SAPL. The limit of the guarantee is, at any time the sum of the outstanding amounts under the \$240 million Facility Agreement of SAPL less \$100 million. Any call under the guarantee will not result in a lump sum payment being made, but the guarantors, severally, will have to service the debt by way of charter payments due from the charterer to the ship owner until the termination date of the loan, which is February 2, 2015.

SapuraAcergy Sdn. Bhd. ('SASB') is a 50/50-owned joint venture between Nautical Essence Sdn. Bhd. (wholly owned by SapuraCrest Petroleum Berhad) and Acergy (Gibraltar) Limited (wholly owned by the Company). SASB has entered into a \$181.3 million multi-currency facility for the financing of the Gumusut-Kakap Project. Both the Company and SapuraCrest Petroleum Berhad have issued several guarantees for 50% of the financing respectively. The facility consists of \$44.0 million available for the issuance of bank guarantees, \$60.0 million available for letters of credit, and two revolving credit facilities for \$57.3 million and \$20.0 million respectively. At December 31, 2011 amount available for bank guarantees was fully drawn, \$16.8 million was drawn under the letter of credit facility and no sum was drawn under the \$20.0 million revolving credit facility. There were no drawings under the \$57.3 million revolving credit facility.

**NOTE 12 - BOARD OF DIRECTORS' EXPENSES**

Fees paid to Directors for the period ended December 31, 2011 amounted to \$745,000 (2010: \$870,000).

**SUBSEA 7 S.A.**  
**(formerly known as Acergy S.A.)**

**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 13 - TAXES**

(\$'000)	2011	2010
Tax on the profit or loss of the current period/ year	-	411
Adjustment in respect of prior periods	(18)	75
	<hr/>	<hr/>
Current tax (credit)/ charge	(18)	486
Deferred taxation	-	-
	<hr/>	<hr/>
	<u>(18)</u>	<u>486</u>

Following the abolition of the 1929 Holding Company tax regime the company has become subject to the normal Corporate Income Tax Regime of Luxembourg. For the 12 month period ended 31 December 2011 the company was fully taxable at an effective rate of 28.8%. The loss incurred in that period, for accounting and tax purposes, results in no Corporate Income Tax liability being incurred. No deferred tax asset has been recognised in respect of this loss.

The Company is now also subject to Luxembourg Net Worth Tax amounting to 0.5% of the net asset value of the company net of the value of the exempt participations as at 1 January each year. At the commencement of the 12 month period ending 31 December 2011 there is no Net Worth Tax liability in respect of the period ended 31 December 2011 other than the minimum Net Worth Tax as provided by the law.

For the financial year ended November 30, 2010, the Company had elected to be taxed as a billionaire holding company and was as a result subject to a variable tax rate, calculated annually with half-yearly advance payments, which is based on certain interest expense, dividends and certain compensation paid to non-resident directors during the period. The tax is calculated as follows:

Where the total interest paid each year to bondholders and on other comparable securities amounts to or exceeds €2,400,000:

- 3% on interests paid to bond and other comparable security holders;
- 1.8% on dividends, profit quotas and remuneration to non-resident directors on the first €1,200,000;
- 0.1% on any excess surplus dividends, profit quotas and remuneration to non-resident directors.

Where the total interest paid each year to bondholders and on other comparable securities is less than €2,400,000:

- 3% on interests paid to bond and other comparable security holders;
- 3% on dividends, profit quotas and remuneration to non-resident directors, but to a maximum amount corresponding to the difference between €2,400,000 and the total interest paid to bondholders and on other comparable securities;
- 1.8% on any surplus dividends, profit quotas and remuneration to non-resident directors up to €1,200,000 distributed;
- 0.1% on any excess surplus dividends, profit quotas and remuneration to non-resident directors.

**SUBSEA 7 S.A.**  
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**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 13 – TAXES (continued)**

Billionaire holding companies are subject to a minimum annual charge of €48,000. The tax election made cannot be reversed. Billionaire holding companies cannot elect different tax treatment from one year to the next, without prejudice to the automatic expiry of that tax regime on December 31, 2010.

**NOTE 14 – CONVERTIBLE LOAN NOTES**

**\$500 million 2.25% convertible loan notes due 2013 (2013 Notes)**

On October 11, 2006 the Company issued \$500.0 million in aggregate principal amount of 2.25% convertible loan notes due 2013. The issuance was completed on October 11, 2006 with the receipt of net proceeds after deduction of issuance related costs of \$490.8 million.

The 2013 Notes have an annual interest rate of 2.25% payable semi-annually in arrears on April 11 and October 11 of each year up to and including period 2013. They were issued at 100% of their principal amount and unless previously redeemed, converted or cancelled will mature on October 11, 2013 at 100% of their principal amount. The 2013 Notes are admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

The noteholders were granted an option which allows them to convert the convertible loan notes into common shares with an initial conversion price of \$24.05 per share equivalent to 20,790,021 common shares, or at the date of issue approximately 10.7% of the Company's issued share capital (excluding treasury shares held as at October 11, 2006). All \$500.0 million of the 2013 Notes remained outstanding as at December 31, 2011 with a conversion price at that date of \$22.37 (2010: \$22.37) per share following the payment of the dividends since issuance, equivalent to 22,351,363 (2010: 22,351,363) common shares, or approximately 6.6% (2010:12.2%) of the Company's issued share capital as of December 31, 2011. The conversion price will continue to be adjusted in line with the 2013 Notes' terms and conditions including payment of dividends.

There is also an option for the Company to call the 2013 Notes after October 25, 2010, if the price of the common shares exceeds 130% of the then prevailing conversion price over the above specified period.

**SUBSEA 7 S.A.**  
**(formerly known as Acergy S.A.)**

**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 14 – CONVERTIBLE LOAN NOTES (continued)**

**\$500 million 2.25% convertible loan notes due 2013 (2013 Notes) (continued)**

The following is a summary of certain other terms and conditions that apply to the 2013 Notes:

- the 2013 Notes 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 notes will rank equally with other debt issuance;
- a cross default provision subject to a minimum threshold of \$10.0 million and other events of default in connection with non-payment of the 2013 Notes;
- various undertakings in connection with the term of any further issuance of common shares, continuance of the listing of the shares and the 2013 Notes on recognised stock exchanges; and
- provisions for the adjustment of the conversion price in certain circumstances.

There were no conversions of the 2013 Notes as of December 31, 2011, (2010: Nil).

**\$275 million 3.5% convertible loan notes due 2014 (2014 Notes)**

The Company acquired, as part of the Combination with Subsea 7 Inc., \$275 million in aggregate principal amount of 3.5% convertible notes due 2014.

The 2014 Notes have an annual interest rate of 3.5% payable semi-annually in arrears on April 13 and October 13 of each year up to and including period 2014. They were issued at 100% of their principal amount and unless previously redeemed, converted or cancelled will mature on October 13, 2014 at 100% of their principal amount.

The noteholders were granted an option which allows them to convert the 2014 Notes into common shares with a conversion price on Combination of \$16.88 per share equivalent to 16,291,469 common shares, or approximately 4.8% (2010: 0%) of the Company's issued share capital as of December 31, 2011. The 2014 Notes can be converted at the option of the noteholder up to the close of business 10 banking days prior to the final maturity date. The conversion price will be adjusted in line with the 2014 Notes' terms and conditions.

The following is a summary of certain other terms and conditions that apply to the 2014 Notes:

- the 2014 Notes 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 notes will rank equally with other debt issuance;
- a cross default provision subject to a minimum threshold of \$10.0 million and other events or default in connection with non-payment of the 2014 Notes;
- various undertakings in connection with the term of any further issuance of common shares continuance of the listing of the shares and the 2014 Notes on recognized stock exchanges; and
- provisions for the adjustment of the conversion price in certain circumstances.

There were no conversions of these convertible loan notes as of December 31, 2011 (2010: Nil).



**SUBSEA 7 S.A.**  
**(formerly known as Acergy S.A.)**

**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 15 – TREASURY STOCK**

On September 11, 2006 the Company announced the commencement of a share buyback programme, up to a maximum of 10% of its issued share capital, pursuant to an authorisation granted to the Board of Directors at the Annual General Meeting held on May 15, 2006 for a maximum aggregate consideration of \$300 million. The repurchases were open market repurchases on the Oslo Børs.

During the financial period 2,512,135 (2010: Nil) shares were repurchased by an indirect subsidiary.

As at December 31, 2011 no common shares (2010: Nil) were held by the Company as treasury shares.

As at December 31, 2011 10,403,599 (2010: 10,431,762) treasury shares were held by an indirect, wholly-owned subsidiary of the Company, and 2,651,803 (2010: 583,000) were held by employee benefit trusts.

**NOTE 16 – RELATED PARTY TRANSACTIONS**

During the period ended December 31, 2011 the Company had the following significant related party transactions:

(\$'000)	2011	2010
Interest on amounts due from Subsea 7 Inc. (Note 4)	9,625	-
Interest on amounts due from Subsea 7 Treasury (UK) Limited (Note 4)	141	226
	<u>9,766</u>	<u>226</u>

As at December 31, 2011, the Company had the following amounts due from affiliated undertakings (Note 10):

(\$'000)	2011	2010
Acergy France S.A.	415	124
Acergy Holdings (Gibraltar) Limited	52	-
Subsea 7 Contracting (Norway) AS	7,700	8,001
Subsea 7 Contracting (UK) Limited	226	79
Subsea 7 (GOM) Inc	-	6
Subsea 7 Inc	277,085	-
Subsea 7 Lending S.a.r.l.	50,164	-
Subsea 7 M.S. Limited	-	274
Subsea 7 Treasury (UK) Limited	13,197	52,137
Thames International Enterprise Limited	15	5
	<u>348,854</u>	<u>60,626</u>

**SUBSEA 7 S.A.**  
**(formerly known as Acergy S.A.)**

**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 16 – RELATED PARTY TRANSACTIONS (continued)**

As at December 31, 2011, the Company had the following amounts due to affiliated undertakings (Note 10):

(\$'000)	2011	2010
Acergy B.V.	13,949	18,200
Acergy Gibraltar Limited	10,352	43,967
Subsea 7 Investing (Bermuda) Limited	56	-
Subsea 7 M.S. Limited	508	-
	<u>24,865</u>	<u>62,167</u>

**NOTE 17 – SUBSEQUENT EVENTS**

**Sale of NKT Flexibles**

On February 3, 2012, the Boards of NKT Holding A/S and Subsea 7 S.A. announced the sale of their Joint venture NKT Flexibles to National Oilwell Varco (NOV) for a total consideration of DKK 3.8 billion. The transaction is subject to customary closing conditions, including approval from the relevant competition authorities, and is expected to close during the first half of 2012.

The transaction will lead to a gain on disposal within the Subsea 7 Group which is expected to be recognised in 2012.

**SEC Deregistration**

On March 1, 2012, the Group announced its intention to make the necessary filings with the Securities and Exchange Commission (SEC) on March 8, 2012 to voluntarily deregister and terminate its reporting obligations under the Securities Exchange Act of 1934.

On March 8, 2012, said filings were made and the Company's SEC reporting obligations were suspended, therefore, the Company will not be required to file an Annual Report on Form 20-F for the 2011 fiscal year which ended on December 31, 2011. Deregistration is expected to be final and effective on June 7, 2012.

**Board Changes**

On March 5, 2012 Mel Fitzgerald resigned from the Board of Directors for personal reasons, with immediate effect.

**Dividend**

Based on the Group's continued strong performance, the Company's robust balance sheet at the end of 2011 and confidence in the future, the Board proposes that a special dividend of \$0.60 per share will be paid to shareholders in July 2012. This dividend is subject to approval by shareholders at the 2012 AGM in June 2012.

**SUBSEA 7 S.A.**  
**(formerly known as Acergy S.A.)**

**NOTES TO THE ANNUAL ACCOUNTS**  
**as at December 31, 2011**

**NOTE 17 – SUBSEQUENT EVENTS (continued)**

**Share buyback**

On March 15, 2012 the Board recommended a share buyback programme of up to \$200 million. The programme has been approved pursuant to the standing authorisation granted to the Board at the Annual General Meeting held on May 27, 2011 which allows for the purchase of up to a maximum of 10% of the Company's issued share capital, net of purchases already made. It is expected that this buyback programme will be carried out over the next twelve months.

Any such repurchases of own shares will be made through open market repurchases on the Oslo Børs, pursuant to certain conditions and provided such purchases are in conformity with Article 49-2 of the Luxembourg Company Law implementing the EU Commission Regulation 2273/2003 on exemptions for buyback programmes and stabilization of financial instruments. The repurchased shares will either be cancelled or held as treasury shares to meet obligations arising under notes convertible into shares of the Company or any employee share option schemes.

