

Subsea 7 S.A. Announces Fourth Quarter and Full Year 2012 Results

Luxembourg – 14 March 2013 – Subsea 7 S.A. (the “Group”) (Oslo Børs: SUBC) announced today results for the fourth quarter and full year which ended on 31 December 2012. Unless otherwise stated, the comparative period is the three and thirteen months ended 31 December 2011 for Subsea 7 S.A. and the results of Subsea 7 Inc. following the date of Combination on 7 January 2011. The Group’s reporting segments are set out in Note 6 ‘Segment information’.

	Three Months Ended	Three Months Ended	Twelve Months Ended	Thirteen Months Ended	For Information Twelve Months Ended
	2012 31 Dec Unaudited	2011 31 Dec Unaudited	2012 31 Dec Audited	2011 31 Dec Audited	2011 31 Dec Unaudited
For the period (in \$ millions, except Adjusted EBITDA margin, share and per share data)					
Revenue	1,611	1,417	6,297	5,477	5,260
Adjusted EBITDA ¹	270	227	1,139	1,003	979
Adjusted EBITDA margin ¹	16.8%	16.0%	18.1%	18.3%	18.6%
Net operating income	180	137	808	641	628
Gain on disposal of NKT Flexibles	–	–	244	–	–
Net Income	149	107	847	451	443
Backlog	9,086	8,538	9,086	8,538	8,538
Cash and cash equivalents	1,288	803	1,288	803	803
Borrowings	1,535	893	1,535	893	893
Earnings per share – in \$ per share					
Diluted	0.38	0.27	2.23	1.21	1.15
Adjusted diluted	0.38	0.27	1.59	1.21	1.15
Weighted average number of common shares	394.5m	379.1m	380.2m	366.3m	379.8m

1 For explanations and a reconciliation of Adjusted EBITDA, Adjusted EBITDA margin and adjusted diluted earnings per share please refer to Notes 7 and 8 to the Condensed Consolidated Financial Statements included herein. Adjusted diluted earnings per share excludes the gain on disposal of NKT Flexibles.

Jean Cahuzac, Chief Executive Officer, said:

2012 was another year of significant achievement for Subsea 7. We have delivered strong financial results in line with our expectations. We have built a record backlog, exited non-core businesses and successfully completed the integration process following the Combination in January 2011. Our fleet enhancement program is also on track with the start-up of *Seven Borealis* in Angola, the ongoing construction of *Seven Waves*, and the recent order of a new-build diving support vessel for the North Sea.

Tendering activity increased through the year, in particular in the North Sea, Africa and Brazil, reflecting our clients’ ambitious investment plans. We remained disciplined in our bidding approach with a focus on project risk management and profitability, and I am pleased with the quality of our new awards and current level of order in-take.

In the light of continued strong performance, the strength of the balance sheet and confidence in our business, the Board of Directors has recommended that shareholders approve the payment of a special dividend of \$0.60 per share at the next Annual General Meeting on 28 June 2013. The Board of Directors has stated that it will continue to prioritise value-adding investment opportunities and has reaffirmed its policy of returning excess cash to shareholders either in the form of share buy-backs or dividends.

Outlook

Levels of tendering remain strong and we remain positive about the medium and long-term market prospects. As we have previously highlighted, delays in project awards and supply chain bottlenecks will temper the rate of progress in 2013. Nevertheless, we expect both revenue and Adjusted EBITDA to show some progress although higher depreciation, finance costs and effective tax rate will negatively impact earnings per share.

West Africa will move through a period of lower offshore activity in 2013 as operations on SURF contracts awarded in the second half of 2012 and early 2013 are projected to start in 2014 and beyond. We see increased tendering in the Gulf of Mexico where client activity is improving. In Mexico we have recently won our first contract, which will require the deployment of *Seven Borealis*.

In the North and Norwegian Seas tendering levels remain strong. However, much of our backlog was awarded late in 2012 and offshore activity for recent awards such as the Martin Linge contract will commence in 2014. Results for the first quarter 2013 are expected to be impacted by lower vessel utilisation due to planned vessel maintenance and dry-docking, this compares to unusually high utilisation in the prior year period as clients sought to progress projects in spite of the risk of bad weather.

In Brazil, Petrobras’ demand for flexible pipelay vessels (PLSVs) remains strong. We are in discussion for the renewal of four of our vessels as their contracts are due to complete in 2013. In addition we participated in the recently announced Petrobras tender for new-build PLSVs and market award is expected later this year. The Guar-Lula NE project timeline remains consistent with our revised schedule as disclosed in the fourth quarter 2011. We have however increased the estimated full-life project loss by approximately \$52 million, in fourth quarter 2012, to reflect a commercial dispute with our client and revised contingencies related to the timing of equipment delivery from key subsea suppliers. Results in the first quarter 2013 will be impacted by planned dry-docking.

In Asia Pacific, tendering levels are slowly improving and we expect projects to come to market award during 2013, with associated offshore activity commencing in 2014 and beyond.

In this growing worldwide market, the key challenges for the industry continue to be the availability of qualified and experienced personnel and the need to manage an increasingly tight supply chain and assure reliability in complex project delivery. We remain focused on addressing these challenges and on maintaining a strong emphasis on risk management and project management processes. Our engineering and project management capabilities, the size of our fleet and our financial strength, position Subsea 7 well for long-term profitable growth.

Conference Call Details

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 14 March 2013

Time: 12:00 UK Time

Conference ID: 99444231

	Conference Dial In Numbers
United Kingdom	0800 694 0257
United States	1 631 510 7498
France	01 76 74 24 28
Norway	80 01 94 14
Germany	06922 224918
International Dial In	+44 (0) 1452 555 566

Replay Facility Details

A replay facility (same Conference ID as above) will be available for the following period:

Date: 14 March 2013

Time: 14:00 UK Time

Date: 28 March 2013

Time: 13:00 UK Time

	Conference Replay Dial In Numbers
International Dial In	+44 (0) 1452 550 000

Alternatively, a live webcast and a playback facility will be available on our website www.subsea7.com

For further information, please contact:

Paul Gooden

Subsea 7 S.A.

e-mail: paul.gooden@subsea7.com

T: +44 (0) 20 8210 5568

If you no longer wish to receive our press releases please contact: ir@subsea7.com

Special Note Regarding Forward-Looking Statements

Certain statements made in this announcement may include "forward-looking statements". These statements may be identified by the use of words like "anticipate", "believe", "estimate", "expect", "intend", "may", "plan", "forecast", "project", "will", "should", "seek" and similar expressions. The forward-looking statements reflect our current views and assumptions and are subject to risks and uncertainties. The principal risks and uncertainties which could impact the Company and the factors affecting the business results are outlined in the "Risk factors" section in the Company's Annual Report and Consolidated Financial Statements. These factors, and others which are discussed in our public filings, are among those that may cause actual and future results and tends to differ materially from our forward-looking statements: actions by regulatory authorities or other third parties; our ability to recover costs on significant projects; the general economic conditions and competition in the markets and businesses in which we operate; our relationship with significant clients; the outcome of legal and administrative proceedings or governmental enquiries; uncertainties inherent in operating internationally; the timely delivery of ships on order and the timely completion of ship conversion programmes; the impact of laws and regulations; and operating hazards, including spills and environmental damage. Many of these factors are beyond our ability to control or predict. Given these factors, you should not place undue reliance on the forward-looking statements.

Interim Management Report: Financial Review

Fourth Quarter 2012

Revenue

Revenue was \$1.6 billion for the quarter, an increase of \$193 million or 14% compared to Q4 2011. This mainly reflected increased activity levels in NSC and Brazil.

Adjusted EBITDA

Adjusted EBITDA for the quarter was \$270 million, an increase of \$43 million or 19% compared to Q4 2011. Adjusted EBITDA margin was 16.8% compared to 16.0% in Q4 2011, mainly due to higher contributions from the Group's share of net income of associates and joint ventures.

Net operating income

Net operating income increased by \$44 million or 32% to \$180 million, largely due to:

- strong underlying year-on-year growth in gross profit, offset by an approximately \$52 million increase in full-life project losses on the Guar -Lula NE project in Brazil to reflect a commercial dispute with the client, and revised contingencies related to the timing of equipment delivery from key subsea suppliers; and
- an increase of \$43 million in share of net income from associates and joint ventures compared to Q4 2011; Seaway Heavy Lifting contributed strongly during the quarter.

Net income

Net income of \$149 million increased by \$42 million or 39% compared to Q4 2011, primarily due to:

- increased underlying profitability of the Group; and
- net foreign exchange gains of \$3 million in the quarter (Q4 2011: loss of \$9 million).

These were partly offset by an increase of \$10 million in financing costs compared to Q4 2011 following the issuance of the \$700 million convertible notes in October 2012.

The effective tax rate for the quarter was 13% (2011: 15%) after adjusting for discrete items.

Twelve months ended 31 December 2012

The comparative period ('2011') is the thirteen-month period from 1 December 2010 to 31 December 2011.

Revenue

Revenue of \$6.3 billion, increased \$820 million or 15% compared to 2011, driven mainly by higher levels of activity in NSC and further progression of the Guar -Lula NE project in Brazil.

Adjusted EBITDA

Adjusted EBITDA of \$1,139 million, an increase of \$136 million or 14% compared to 2011. The Adjusted EBITDA margin of 18.1% was broadly consistent with 2011.

Net operating income

Net operating income increased by \$168 million to \$808 million largely due to:

- an increase in gross profit of \$149 million compared to 2011, as a result of higher levels of project and offshore activity. The gross profit margin of 17.4% was consistent with 2011 (17.3%) as improved margins in NSC were largely offset by a further loss recognised on Guar -Lula NE project in Brazil in the fourth quarter. Vessel utilisation levels remained high at 86% (2011: 80%).
- a decrease in administrative expenses of \$37 million to \$373 million (2011: \$410 million). The reduction in expenses was mainly due to lower integration and restructuring costs.
- a decrease in the Group's share of results of associates and joint ventures to \$86 million (2011: \$104 million). The reduction was primarily due to the disposal of the Group's interest in NKT Flexibles, partially offset by improved contributions from Seaway Heavy Lifting and SapuraAcergy.

Net income

Net income of \$847 million increased by \$396 million or 88% compared to 2011 primarily due to:

- increased underlying profitability of the Group;
- a \$244 million gain on disposal of the Group's interest in NKT Flexibles; and
- other gains and losses totalling \$40 million (2011: \$7 million) primarily representing net foreign currency exchange gains.

The effective tax rate for the period, excluding the impact of the tax-exempt gain on disposal of NKT Flexibles and the gain on distribution of Veripos Inc., was 27% (2011: 28%).

Cash and cash equivalents

Cash and cash equivalents increased by \$485 million to \$1.3 billion largely reflecting cash generated by operating activities of \$515 million and the issuance of \$700 million of convertible notes at a coupon of 1%, partly reduced by the dividend paid of \$199 million and the execution of the share buy-back programme of \$200 million.

Earnings per share

Diluted earnings per share was \$2.23. After excluding the gain on disposal of NKT Flexibles, the adjusted diluted earnings per share was \$1.59 compared to \$1.21 in 2011, an increase of 31%.

Borrowings

Borrowings increased by \$642 million to \$1,535 million during 2012, mainly as a result of the placement of \$700 million of convertible notes in October 2012.

Territory highlights

Fourth Quarter 2012

Africa, Gulf of Mexico & Mediterranean (AFGOM)

Revenue of \$611 million was broadly consistent with Q4 2011. There was significant progress on Block 31 PSVM and CLOV, both offshore Angola. The MPN Satellite Field Development, offshore Nigeria, was substantially completed during the quarter. Net operating income was \$97 million compared to \$112 million in Q4 2011.

Asia Pacific & Middle East (APME)

Revenue was \$55 million, an increase of \$17 million compared to Q4 2011. Progress continued on the ONGC G1 project, offshore India and Gorgon, offshore Australia. Net operating income was \$18 million, compared to a loss of \$7 million in Q4 2011 which reflected losses arising on the Montara project.

Brazil (BRAZIL)

Revenue for the fourth quarter was \$241 million, an increase of \$55 million compared to Q4 2011 with the progression of procurement, engineering and project management on the Guar-Lula NE project. The seven vessels on long-term service agreements to Petrobras achieved high levels of utilisation. Net operating loss was \$29 million (Q4 2011: net operating loss \$11 million), driven by an approximately \$52 million increase in full-life project losses on Guar-Lula NE to reflect a commercial dispute with the client, and revised contingencies related to the timing of equipment delivery from key subsea suppliers.

North Sea & Canada (NSC)

Revenue was \$699 million compared to \$586 million in Q4 2011. Work progressed during the quarter on Laggan Tormore and West Franklin, offshore UK; Ormen Lange, offshore Norway and Siri Caisson, offshore Denmark. Projects substantially completed during the quarter included Terra Nova, offshore Canada; Alta, offshore UK and Skuld, offshore Norway. Life-of-Field operations under the Shell, BP and Statoil Frame Agreements performed well during the quarter. Net operating income was \$88 million (Q4 2011: \$97 million).

Corporate (CORP)

Revenue for the fourth quarter was \$5 million (Q4 2011: \$2 million). Net operating profit was \$8 million (Q4 2011: net operating loss \$54 million), with the improved results largely due to lower integration and restructuring costs, and an increased contribution from Seaway Heavy Lifting as a result of high renewables activity.

Twelve months ended 31 December 2012

The comparative period ('2011') is the thirteen-month period from 1 December 2010 to 31 December 2011.

Africa, Gulf of Mexico & Mediterranean (AFGOM)

Revenue was \$2.2 billion, a decrease of \$0.4 billion or 14% on 2011, due mainly to the timing of the offshore execution of major projects. There was significant progress on Block 31 PSVM and CLOV, offshore Angola. Projects substantially completed during the year included OSO Re, MPN Satellite Field Development and EGP3B, all offshore Nigeria. The fabrication activities of Sonamet in Angola continued to make a significant contribution to the Group. Net operating income at \$428 million was \$62 million or 13% lower than 2011, however the associated margin of 20% improved slightly compared to 19% in 2011.

Asia Pacific & Middle East (APME)

Revenue was \$278 million, an increase of \$97 million or 54% primarily driven by continuing activities on ONGC G1, offshore India and Gorgon, offshore Australia as well as the completion of Montara, offshore Australia, and Lihua-4, offshore China. The SapuraAcergy joint venture contributed \$32 million to net operating income for the period (2011: \$27 million). Net operating income was \$46 million (2011: \$18 million) with the increase mainly due to increased activity levels.

Brazil (BRAZIL)

Revenue was \$987 million, an increase of \$300 million or 44% reflecting procurement, engineering and project management activities on the Guar-Lula NE and UOTE projects. The GSNC Shallow project was completed in 2012. The seven vessels on long-term service agreements to Petrobras continued to operate at high levels of utilisation. Net operating loss was \$25 million (2011: net operating income \$23 million). The operating loss in 2012 was primarily driven by an approximately \$52 million increase in full-life project losses on Guar-Lula NE to reflect a commercial dispute with the client, and revised contingencies related to the timing of equipment delivery from key subsea suppliers.

North Sea & Canada (NSC)

Revenue was \$2.8 billion, an increase of \$0.8 billion or 38% largely due to high levels of activity across the Territory. Projects such as Ormen Lange, Skuld and Skarv, offshore Norway, and Terra Nova, offshore Canada progressed well. Operating activities continued on Laggan Tormore, West Franklin and Alta projects, offshore UK. The Siri Caisson project continued offshore Denmark. Life-of-Field operations under the Shell, BP, Statoil and Total Frame Agreements performed well during 2012. Net operating income margin increased to 12.8% from 8.7% in 2011 driven by high levels of vessel utilisation and the completion of a number of projects which had been awarded at low margins in previous years.

Corporate (CORP)

Revenue for the period was \$12 million (2011: \$12 million). The net operating loss was \$4 million reduced from \$69 million in 2011, largely due to lower integration and restructuring costs. Seaway Heavy Lifting contributed \$51 million (2011: \$40 million) as a result of high renewables activity. These improvements were partly offset by the reduced contribution from NKT Flexibles due to the disposal of the Group's interest in the early part of 2012.

Asset Development and Activities

Fourth Quarter 2012

The Group's investment in Sonamet and Sonacergy continued to be classified as assets held for sale. The partial disposal of the Group's interests in Sonamet and Sonacergy is expected to be completed in 2013 at which time the businesses will be deconsolidated from the Group's Consolidated Financial Statements and their future results will be reported as associates in 'Share of results of associates and joint ventures'.

In addition, at 31 December 2012, the vessels *Acergy Harrier*, *Acergy Legend* and *Acergy Orion* were classified as assets held for sale.

During the fourth quarter of 2012, *Seven Borealis*, a multi-purpose heavy construction and pipe-laying vessel, commenced work following the completion of sea trials and commissioning.

Construction of *Seven Waves* continued and during the quarter the Group signed a contract to build a new dive support vessel which is expected to be delivered in 2015.

Vessel utilisation during the fourth quarter was 82% down from 88% in Q4 2011 due to lower utilisation in AFGOM.

Backlog

The Group had a record backlog of \$9.1 billion at 31 December 2012, an increase of \$548 million or 6% compared to 31 December 2011. The increase was mainly attributable to major contract awards in NSC in the fourth quarter.

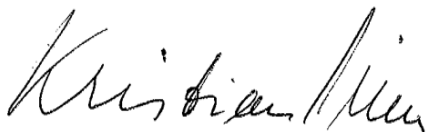
\$6.3 billion of the backlog at 31 December 2012 related to SURF activity, \$1.4 billion to Life-of-Field, \$0.8 billion to Conventional and Hook-up and \$0.6 billion to i-Tech. \$4.6 billion of this backlog is expected to be executed in 2013, \$2.5 billion in 2014 and \$2.0 billion in 2015 and thereafter. Backlog excludes associates and joint ventures.

Risks and uncertainties

The principal risks and uncertainties which could materially adversely impact the Group's reputation, operations and/or financial performance and position are noted on pages 43 to 45 of Subsea 7 S.A.'s Annual Report and Consolidated Financial Statements 2011. The Executive Management Team has considered the principal risks and uncertainties and concluded that these have not changed significantly in the period ended 31 December 2012.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January 2012 to 31 December 2012 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, this report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties facing the Company and the Group.



Kristian Siem
Chairman



Jean Cahuzac
Chief Executive Officer

Subsea 7 S.A.

Condensed Consolidated Income Statement

	Three Months Ended	Three Months Ended	Twelve Months Ended	Thirteen Months Ended
	2012 31 Dec Unaudited	2011 31 Dec Unaudited	2012 31 Dec Audited	2011 31 Dec Audited
<i>(in \$ millions, except per share data)</i>				
Revenue	1,610.7	1,417.4	6,296.6	5,476.5
Operating expenses	(1,368.0)	(1,174.9)	(5,201.6)	(4,530.1)
Gross profit	242.7	242.5	1,095.0	946.4
Administrative expenses	(105.8)	(106.6)	(373.1)	(409.6)
Share of net income of associates and joint ventures	43.5	0.8	86.3	103.7
Net operating income from continuing operations	180.4	136.7	808.2	640.5
Finance income	6.1	6.0	15.8	20.0
Gain on disposal of subsidiary	–	–	243.6	–
Gain on distribution	–	–	5.6	–
Other gains and losses	2.7	(8.7)	40.4	6.9
Finance costs	(18.6)	(8.4)	(44.8)	(40.4)
Income before taxes	170.6	125.6	1,068.8	627.0
Taxation	(21.8)	(18.9)	(221.6)	(176.3)
Net income	148.8	106.7	847.2	450.7
Net income attributable to:				
Shareholders of the parent company	140.9	100.4	830.4	423.7
Non-controlling interests	7.9	6.3	16.8	27.0
	148.8	106.7	847.2	450.7
Earnings per share	\$ per share	\$ per share	\$ per share	\$ per share
Basic	0.43	0.30	2.49	1.31
Diluted	0.38	0.27	2.23	1.21
Adjusted diluted ¹	0.38	0.27	1.59	1.21

1 For explanation and a reconciliation of adjusted diluted earnings per share please refer to Note 7 to the Condensed Consolidated Financial Statements included herein. Adjusted diluted earnings per share excludes the gain on disposal of NKT Flexibles.

Subsea 7 S.A.

Condensed Consolidated Statement of Comprehensive Income

	Three Months Ended	Three Months Ended	Twelve Months Ended	Thirteen Months Ended
	2012 31 Dec Unaudited	2011 31 Dec Unaudited	2012 31 Dec Audited	2011 31 Dec Audited
<i>(in \$ millions)</i>				
Net income	148.8	106.7	847.2	450.7
Foreign currency translation	9.1	28.6	99.3	43.4
Reclassification adjustments relating to foreign subsidiaries disposed of	(18.9)	–	(18.9)	–
Cash flow hedges:				
Net fair value gains/(losses) arising	17.0	(40.2)	19.5	(0.8)
Reclassification adjustments for amounts recognised in profit or loss	(2.9)	(5.6)	1.0	(4.2)
Adjustments for amounts transferred to the initial carrying amounts of hedged items	3.3	0.3	8.1	0.5
Share of other comprehensive (loss)/income of associates and joint ventures	(3.8)	0.9	(3.5)	1.1
Actuarial (losses)/gains on defined benefit pension schemes	(7.2)	0.4	(7.2)	(0.3)
Tax relating to components of other comprehensive income	0.1	2.5	(3.6)	(1.1)
Other comprehensive (expense)/income	(3.3)	(13.1)	94.7	38.6
Total comprehensive income	145.5	93.6	941.9	489.3
Total comprehensive income attributable to:				
Shareholders of the parent company	137.3	88.0	925.0	462.3
Non-controlling interests	8.2	5.6	16.9	27.0
	145.5	93.6	941.9	489.3

Subsea 7 S.A.

Condensed Consolidated Balance Sheet

As at (in \$ millions)	2012 31 Dec Audited	2011 31 Dec Audited
Assets		
Non-current assets		
Goodwill	2,574.8	2,566.6
Intangible assets	24.4	34.9
Property, plant and equipment	3,748.3	3,352.2
Interest in associates and joint ventures	223.1	264.1
Advances and receivables	47.4	65.0
Derivative financial instruments	20.5	9.5
Retirement benefit assets	0.3	0.3
Deferred tax assets	35.4	40.9
	6,674.2	6,333.5
Current assets		
Inventories	59.3	57.4
Trade and other receivables	1,090.3	773.0
Derivative financial instruments	53.5	10.0
Assets classified as held for sale	317.6	319.4
Construction contracts – assets	541.3	515.1
Other accrued income and prepaid expenses	471.0	383.1
Restricted cash balances	–	52.7
Cash and cash equivalents	1,287.9	803.4
	3,820.9	2,914.1
Total assets	10,495.1	9,247.6
Equity		
Issued share capital	703.6	703.6
Treasury shares	(443.9)	(278.5)
Paid in surplus	3,881.8	4,185.5
Equity reserves	359.2	278.6
Translation reserves	44.0	(36.3)
Other reserves	(81.3)	(95.6)
Retained earnings	1,861.1	1,023.7
Equity attributable to shareholders of the parent company	6,324.5	5,781.0
Non-controlling interests	43.8	51.5
Total equity	6,368.3	5,832.5
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	1,040.9	880.5
Retirement benefit obligations	23.4	29.4
Deferred tax liabilities	111.6	133.3
Provisions	38.2	22.8
Contingent liability recognised	27.8	31.3
Derivative financial instruments	6.7	14.9
Other non-current liabilities	9.0	30.9
	1,257.6	1,143.1
Current liabilities		
Trade and other liabilities	1,452.0	1,218.9
Derivative financial instruments	31.6	25.6
Current tax liabilities	201.1	190.3
Current portion of borrowings	494.5	12.9
Liabilities directly associated with assets classified as held for sale	167.3	188.4
Provisions	11.8	41.6
Construction contracts – liabilities	434.1	383.6
Deferred revenue	76.8	210.7
	2,869.2	2,272.0
Total liabilities	4,126.8	3,415.1
Total equity and liabilities	10,495.1	9,247.6

Subsea 7 S.A.

Condensed Consolidated Statement of Changes in Equity

For the 12 months ended 31 December 2012

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

Subsea 7 S.A.

Condensed Consolidated Statement of Changes in Equity

For the 13 months ended 31 December 2011

(in \$ millions)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserves	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
Balance at 1 December 2010	389.9	(209.2)	508.8	110.7	(80.2)	(90.3)	572.8	1,202.5	56.8	1,259.3
Comprehensive income										
Net income	–	–	–	–	–	–	423.7	423.7	27.0	450.7
Exchange differences	–	–	–	–	43.4	–	–	43.4	–	43.4
Cash flow hedges	–	–	–	–	–	(4.5)	–	(4.5)	–	(4.5)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	1.1	–	1.1	–	1.1
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Tax relating to components of other comprehensive income	–	–	–	–	0.5	(1.6)	–	(1.1)	–	(1.1)
Total comprehensive income	–	–	–	–	43.9	(5.3)	423.7	462.3	27.0	489.3
Transactions with owners										
Shares acquired	–	(60.0)	–	–	–	–	–	(60.0)	–	(60.0)
Dividends declared and paid	–	–	–	–	–	–	–	–	(31.4)	(31.4)
Equity component of acquired convertible notes	–	–	–	189.5	–	–	–	189.5	–	189.5
Reclassification of equity component of convertible notes redeemed or converted	–	–	–	(21.6)	–	–	21.6	–	–	–
Purchase of non-controlling interest	–	–	–	–	–	–	(0.9)	(0.9)	–	(0.9)
Reclassification of non-controlling interest	–	–	–	–	–	–	0.9	0.9	(0.9)	–
Shares issued	313.7	–	3,637.1	–	–	–	–	3,950.8	–	3,950.8
Treasury shares acquired on acquisition	–	(75.6)	–	–	–	–	–	(75.6)	–	(75.6)
Fair value of acquired share based payments – allocated to consideration	–	–	26.2	–	–	–	–	26.2	–	26.2
Share-based compensation	–	–	14.1	–	–	–	–	14.1	–	14.1
Vesting of share-based payments	–	–	(1.5)	–	–	–	1.5	–	–	–
Shares reissued	–	66.3	–	–	–	–	–	66.3	–	66.3
Gain on reissuance of treasury shares	–	–	–	–	–	–	4.1	4.1	–	4.1
Tax effects	–	–	0.8	–	–	–	–	0.8	–	0.8
Total transactions with owners	313.7	(69.3)	3,676.7	167.9	–	–	27.2	4,116.2	(32.3)	4,083.9
Balance at 31 December 2011	703.6	(278.5)	4,185.5	278.6	(36.3)	(95.6)	1,023.7	5,781.0	51.5	5,832.5

Subsea 7 S.A.

Condensed Consolidated Cash Flow Statement

	Twelve Months Ended	Thirteen Months Ended
	2012 31 Dec Audited	2011 31 Dec Audited
(in \$ millions)		
Net cash generated from operating activities	515.1	579.4
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	0.9	10.2
Purchases of property, plant and equipment	(708.7)	(672.5)
Purchases of intangible assets	(3.9)	(4.3)
Net cash flows from disposal of subsidiary	344.2	–
Cash from acquisition	–	458.9
Interest received	14.2	20.0
Proceeds from sale of assets classified as held for sale	–	0.1
Dividends received from associates and joint ventures	51.0	63.7
Purchase of non-controlling interest	(6.0)	(1.0)
Investments in associates and joint ventures	(45.3)	–
Net cash used in investing activities	(353.6)	(124.9)
Cash flows from financing activities:		
Interest paid	(28.7)	(45.2)
Proceeds from borrowings	698.9	189.9
Repayment of borrowings	(12.2)	(180.7)
Own share buy-backs	(200.0)	(60.0)
Dividends paid to equity shareholders of the parent	(199.4)	–
Cash distributed with dividend-in-kind	(11.8)	–
Issue of shareholder loan to joint ventures	(1.2)	–
Loan repayments from joint ventures	5.0	7.5
Proceeds from reissuance of treasury shares	7.2	8.2
Dividends paid to non-controlling interest	–	(13.7)
Net cash generated/(used) in financing activities	257.8	(94.0)
Net increase in cash and cash equivalents	419.3	360.5
Cash and cash equivalents at beginning of period	803.4	484.3
Effect of foreign exchange rate movements on cash and cash equivalents	(12.8)	(3.9)
Decrease/(increase) in restricted cash balances	52.7	(49.7)
Increase in cash balances classified as assets held for sale	25.3	12.2
Cash and cash equivalents at end of period	1,287.9	803.4

Notes to the Condensed Consolidated Financial Statements

1. General information

The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg. Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on Oslo Børs and as ADRs over the counter in the US. The Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors on 13 March 2013.

2. Basis of Preparation

The Condensed Consolidated Financial Statements for the period 1 January 2012 to 31 December 2012 for Subsea 7 S.A. have been prepared on a going concern basis and in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU"). The Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the thirteen month period ended 31 December 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and as adopted by the EU.

3. Accounting policies

Basis of accounting

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the period ended 31 December 2012.

Interim Financial Reporting and Impairment

In accordance with International Financial Reporting Interpretation Committee ('IFRIC') interpretation 10, the Group shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The following new amendment to standards has been adopted from 1 January 2012:

- Amendments to IFRS 7 'Financial Instruments: Disclosures - Disclosures on transfers of financial assets'.

The adoption of the above amendment to standards had no material impact on the reported net income or net assets of the Group in the period.

Change of presentation

The cash flow statement comparatives have been restated to be consistent with the current period presentation. The change mainly relates to the representation of foreign exchange movements in the reconciliation of cash flows from operating activities from a separate line to 'changes in operating assets and liabilities'. The change in presentation does not have an impact on net operating income, net income, earnings per share or the Condensed Consolidated Balance Sheet in the current or prior periods and consequently no third Condensed Consolidated Balance Sheet has been presented.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in the Consolidated Financial Statements for the period ended 31 December 2012, management is required to make judgements, estimates and assumptions about 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 management believe 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 in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Management makes accounting judgements on the following aspects of the business as described in full in the Consolidated Financial Statements for the period ended 31 December 2012:

- Revenue recognition on long-term contracts;
- Revenue recognition on variation orders and claims;
- Goodwill carrying value;
- Valuation of dividend-in-kind;
- Property, plant and equipment;
- Recognition of provisions and disclosure of contingent liabilities;
- Taxation;
- Fair value of derivatives and other financial instruments;
- Share-based payments; and
- Defined benefit pension plan valuations.

5. Seasonality

A significant portion of the Group's revenue in 2012 and 2011 was generated from work performed offshore West Africa where optimal weather conditions usually exist between October to April. The Group also generated a significant portion of its revenue in 2012 and 2011 in the North and Norwegian Seas. Adverse weather conditions during the winter months in this region usually result in low levels of activity.

The Group generated a significant portion of its revenue from West Africa, the North Sea, the Norwegian Sea and Brazil. A full-year result is not likely to be a direct multiple of any particular quarter or combination of quarters. During certain periods of the year, the Group may be affected by delays caused by adverse weather conditions such as hurricanes or tropical storms. The Group

continues to incur operating expenses during periods of adverse weather, but revenue from operations may only be recognised later in line with the percentage-of-completion method.

Notes to the Condensed Consolidated Financial Statements

6. Segment information

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

- Africa, Gulf of Mexico & Mediterranean (AFGOM);
- Asia Pacific & Middle East (APME);
- Brazil (BRAZIL);
- North Sea & Canada (NSC) formerly North Sea Mediterranean & Canada (NSMC); and
- Corporate (CORP) including NKT Flexibles (for the period 1 January 2012 to 3 February 2012 when it was classified as assets held for sale) and Seaway Heavy Lifting.

During the year the Group reorganised its business segments and the Mediterranean activities are now reported within AFGOM. Previously they were included within NSC. The results for the Mediterranean activities were not significant during 2012 or 2011 and as a result no restatement of prior period comparatives has been made.

Total assets and total liabilities by segment are not regularly provided to the Chief Operating Decision Maker and consequently no such disclosure is included.

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

For the three months ended 31 December 2012

(in \$ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	610.7	54.8	240.8	699.1	5.3	1,610.7
Net operating income/(loss) from operations	96.5	17.6	(29.4)	88.1	7.6	180.4
Investment income from bank deposits						6.1
Other gains and losses						2.7
Finance costs						(18.6)
Income before taxes						170.6

For the three months ended 31 December 2011

(in \$ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	605.1	38.0	186.3	586.0	2.0	1,417.4
Net operating income/(loss) from operations	112.0	(7.0)	(11.3)	97.4	(54.4)	136.7
Investment income from bank deposits						6.0
Other gains and losses						(8.7)
Finance costs						(8.4)
Income before taxes						125.6

For the twelve months ended 31 December 2012

(in \$ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	2,182.4	277.5	986.5	2,837.8	12.4	6,296.6
Net operating income/(loss) from operations	428.0	46.0	(25.4)	363.8	(4.2)	808.2
Investment income from bank deposits						15.8
Other gains and losses						289.6
Finance costs						(44.8)
Income before taxes						1,068.8

For the thirteen months ended 31 December 2011

(in \$ millions)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	2,542.9	180.7	686.3	2,054.4	12.2	5,476.5
Net operating income/(loss) from operations	490.3	18.2	22.5	179.0	(69.5)	640.5
Investment income from bank deposits						20.0
Other gains and losses						6.9
Finance costs						(40.4)
Income before taxes						627.0

Notes to the Condensed Consolidated Financial Statements

7. Earnings per share

Basic and diluted earnings per share

Basic earnings per share amounts 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 period, excluding common shares purchased by the Group, and held as 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.

	Three Months Ended 2012 31 Dec Unaudited	Three Months Ended 2011 31 Dec Unaudited	Twelve Months Ended 2012 31 Dec Audited	Thirteen Months Ended 2011 31 Dec Audited
(in \$ millions, except share and per share data)				
Net income attributable to shareholders of the parent company	140.9	100.4	830.4	423.7
Interest on convertible loan notes (less amounts capitalised)	9.5	3.9	17.8	20.5
Earnings used in the calculation of diluted earnings per share	150.4	104.3	848.2	444.2

	Three Months Ended 2012 31 Dec Unaudited	Three Months Ended 2011 31 Dec Unaudited	Twelve Months Ended 2012 31 Dec Audited	Thirteen Months Ended 2011 31 Dec Audited
(Number of shares)				
Weighted average number of common shares used in the calculation of basic earnings per share	331,510,586	338,690,137	333,837,742	323,783,380
Convertible loan notes	62,127,616	38,642,832	44,877,456	40,750,146
Share options and restricted shares	846,314	1,788,392	1,463,286	1,775,974
Total diluted number of shares	394,484,516	379,121,361	380,178,484	366,309,500

	Three Months Ended 2012 31 Dec Unaudited	Three Months Ended 2011 31 Dec Unaudited	Twelve Months Ended 2012 31 Dec Audited	Thirteen Months Ended 2011 31 Dec Audited
(in \$ per share)				
Basic earnings per share	0.43	0.30	2.49	1.31
Diluted earnings per share	0.38	0.27	2.23	1.21

Adjusted diluted earnings per share

Adjusted diluted earnings per share represents diluted earnings per share adjusted to exclude the gain recognised on the disposal of the Group's share of NKT Flexibles.

	Three Months Ended 2012 31 Dec Unaudited	Three Months Ended 2011 31 Dec Unaudited	Twelve Months Ended 2012 31 Dec Audited	Thirteen Months Ended 2011 31 Dec Audited
(in \$ millions, except share data)				
Net income attributable to shareholders of the parent company	140.9	100.4	830.4	423.7
Less: Gain on disposal of NKT Flexibles	–	–	(243.6)	–
Interest on convertible loan notes (less amounts capitalised)	9.5	3.9	17.8	20.5
Adjusted net income	150.4	104.3	604.6	444.2

Total diluted number of shares (as above)	394,484,516	379,121,361	380,178,484	366,309,500
--	--------------------	--------------------	--------------------	--------------------

	Three Months Ended 2012 31 Dec Unaudited	Three Months Ended 2011 31 Dec Unaudited	Twelve Months Ended 2012 31 Dec Audited	Thirteen Months Ended 2011 31 Dec Audited
(in \$ per share)				
Adjusted diluted earnings per share	0.38	0.27	1.59	1.21

Notes to the Condensed Consolidated Financial Statements

8. Adjusted EBITDA and Adjusted EBITDA margin

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 earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') as net income plus finance costs, other gains and losses (including gain on disposal of subsidiary and gain on distribution), taxation, depreciation, amortisation and mobilisation and adjusted to exclude finance income and impairment charges or reversals. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue. The items excluded from Adjusted EBITDA represent items which are individually or collectively material but which are not considered representative of the performance of the business during the periods presented. Other gains and losses principally relate to disposals of investments, property, plant and equipment and net foreign exchange gains or losses. Impairments of assets represent the excess of the assets' carrying amount over the amount that is expected to be recovered from their use in the future or their sale.

Adjusted EBITDA and Adjusted EBITDA margin have not been prepared in accordance with IFRS as issued by the IASB as adopted for use in the EU. These measures exclude items that can have a significant effect on the Group's income or loss and therefore should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with IFRS) as a measure of the Group's operating results or cash flows from operations (as determined in accordance with IFRS) as a measure of the Group's liquidity.

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

Reconciliation to net operating income:

	Three Months Ended	Three Months Ended	Twelve Months Ended	Thirteen Months Ended
	2012 31 Dec	2011 31 Dec	2012 31 Dec	2011 31 Dec
For the period (in \$ millions)	Unaudited	Unaudited	Audited	Audited
Net operating income	180.4	136.7	808.2	640.5
Depreciation, amortisation and mobilisation	86.7	86.3	333.4	337.4
Impairments/(reversal of impairments)	2.8	4.4	(2.7)	25.4
Adjusted EBITDA	269.9	227.4	1,138.9	1,003.3
Revenue	1,610.7	1,417.4	6,296.6	5,476.5
Adjusted EBITDA %	16.8%	16.0%	18.1%	18.3%

Reconciliation to net income:

	Three Months Ended	Three Months Ended	Twelve Months Ended	Thirteen Months Ended
	2012 31 Dec	2011 31 Dec	2012 31 Dec	2011 31 Dec
For the period (in \$ millions)	Unaudited	Unaudited	Audited	Audited
Net income	148.8	106.7	847.2	450.7
Depreciation, amortisation and mobilisation	86.7	86.3	333.4	337.4
Impairments/(reversal of impairments)	2.8	4.4	(2.7)	25.4
Investment income	(6.1)	(6.0)	(15.8)	(20.0)
Other gains and losses	(2.7)	8.7	(289.6)	(6.9)
Finance costs	18.6	8.4	44.8	40.4
Taxation	21.8	18.9	221.6	176.3
Adjusted EBITDA	269.9	227.4	1,138.9	1,003.3
Revenue	1,610.7	1,417.4	6,296.6	5,476.5
Adjusted EBITDA %	16.8%	16.0%	18.1%	18.3%

Notes to the Condensed Consolidated Financial Statements

9. Dividends

2011 final dividend

Based on the Group's continued strong financial performance and position at the end of 2011 and confidence in the future, a final dividend of \$0.60 per common share that related to the thirteen month period ended 31 December 2011 was approved by the shareholders on 22 June 2012 and recognised in shareholders' equity in June 2012. It was paid on 5 July 2012 to shareholders of record as of 28 June 2012 and on 10 July 2012 to holders of ADRs. No dividends were paid in 2011.

Distribution of Veripos business

On 12 April 2012, Subsea 7 S.A. announced the spin-off and listing on Oslo Børs of Veripos.

The distribution as a dividend-in-kind of the shares in Veripos Inc. was approved by the shareholders on 22 June 2012 and recognised in shareholders' equity in June 2012. This dividend-in-kind of the common shares of Veripos Inc. entitled shareholders with a holding of ten common shares in Subsea 7 S.A. to one share in Veripos Inc., with fractional entitlements being rounded downwards without compensation to the nearest full number of Veripos Inc. shares. This dividend was paid on 24 July 2012 to shareholders of record as of 28 June 2012 and the cash equivalent was paid to holders of ADRs thereafter. On distribution the assets and liabilities of the Veripos Inc. group were derecognised.

In accordance with IFRIC 17 'Distributions of Non-cash Assets to Owners' the dividend was recognised at the estimated fair value of the assets distributed. This was calculated as \$80.3 million using a discounted cash flow model which equated to a dividend of \$0.24 per share. The carrying value of the assets distributed was \$74.7 million, including allocated goodwill of \$43.4 million, resulting in a gain on distribution being recognised in the period of \$5.6 million.

10. Goodwill

The movement in goodwill during the period was as follows:

	Twelve Months Ended	Thirteen Months Ended
	2012 31 Dec Audited	2011 31 Dec Audited
(in \$ millions)		
At 1 January 2012	2,566.6	–
Acquired in business combination	–	2,538.5
Derecognised on distribution of business	(43.4)	–
Exchange differences	51.6	28.1
At period end	2,574.8	2,566.6

11. Property, plant and equipment

Significant additions to property, plant and equipment for the twelve months ended 31 December 2012 were as follows:

- completion of *Seven Borealis* and *Seven Inagha*;
- construction of *Seven Waves*, the new-build PLSV for Brazil;
- construction of the new-build diving support vessel;
- continued expenditure on ROVs for the i-Tech Superbid III Project;
- expenditure on offices in Norway and Brazil; and
- dry-docking costs for the existing fleet.

12. Assets classified as held for sale

Investments in Sonamet and Sonacergy

On 23 July 2009, the Group entered into a sale agreement to dispose of 19% of its ownership interest in each of Sonamet Industrial, S.A ('Sonamet') and Sonacergy – Servicos E Construcoes Petroliferas Lda (Zona Franca Da Madeira) ('Sonacergy'), Sonamet operates a fabrication yard for clients, including Subsea 7, operating in the offshore oil and gas industry in Angola. Sonacergy provides overseas logistics services and support to Sonamet. The disposal of a 19% interest in each of Sonamet and Sonacergy will result in a reduction of the 55% ownership interest the Group held in each at 31 December 2012, to 36% at which point the investments will be equity accounted. The finalisation of this sale is conditional upon the completion of certain conditions precedent, none of which are in the control of the Group, which were still outstanding as at 31 December 2012. There is no indication that the sale will not proceed as anticipated and the Group expects completion during 2013. The Group believes continued disclosure as assets held for sale is appropriate.

During 2012, a decrease in the carrying value of the net assets of Sonamet and Sonacergy, following dividends declared, resulted in an impairment reversal of \$3.7 million (2011: \$9.5 million impairment charge). The reversal was recognised in the Consolidated Income Statement in operating expenses. The cumulative impairment charge at 31 December 2012 was \$7.4 million (2011: \$11.1 million).

Vessels classified as held for sale

Acergy Harrier, *Acergy Legend* and *Acergy Orion* were transferred to assets held for sale during 2012 as part of the Group's vessel divestiture plan. It is expected that these vessels will be divested in 2013. An impairment charge of \$2.0 million relating to *Acergy Orion* was recognised in the income statement in operating expenses.

Notes to the Condensed Consolidated Financial Statements

13. Treasury shares

During 2012, the Group issued 1,467,943 treasury shares to employees to satisfy its commitments under share option and restricted share schemes, in accordance with the terms of those schemes.

Share buy-back

On 16 March 2012, the Group announced a share buy-back programme of up to \$200 million. The programme was approved pursuant to the standing authorisation granted to the Board at the Annual General Meeting held on 27 May 2011, which allows for the purchase of up to a maximum of 10% of the Group's issued share capital, net of purchases already made.

All repurchases of treasury shares were made through open market repurchases on 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 buy-back programmes and stabilisation 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 Group or any employee share option schemes.

During 2012, the Group repurchased 8,567,073 shares for a total consideration of \$200.0 million.

At the period end, the Group owned 17,662,188 (2011: 10,403,599) common shares as treasury shares, representing 5.0% (2011: 3.0%) of the total number of issued shares. These shares were owned as treasury shares through Subsea 7 S.A.'s indirect subsidiary Subsea 7 Investing (Bermuda) Limited. A further 1,748,500 (2011: 914,000) common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 743,844 (2011: 1,737,803) shares were held in a separate employee benefit trust to support the restricted stock award plan and other specified stock option awards.

14. Borrowings

Facilities

During October 2012, the Group voluntarily cancelled \$400 million of the outstanding \$500 million sub-limit available for cash drawings under its multi-currency revolving credit and guarantee facility. At 31 December 2012, the Group had a \$600 million facility available for the issuance of guarantees or a combination of guarantees and cash drawings, subject to a \$100 million sub-limit for cash drawings.

2017 Convertible Notes

On 27 September 2012, the Group announced the issuance and successful placement of convertible notes with an aggregate principal amount of \$700 million maturing in October 2017 (the "2017 Notes"). The proceeds of the issue will be used to finance the Group's growth and for general corporate purposes.

The 2017 Notes have an annual coupon of 1.0% payable semi-annually in arrears and an initial conversion price of \$30.10.

15. Contingent liabilities

Between 2009 and 2011, the Group's Brazilian businesses were audited and formally assessed for ICMS and federal taxes (import duty) by the Brazilian State and Federal tax authorities. The amount assessed including penalties and interest as at 31 December 2012 amounted to BRL 545.8 million (\$261.9 million). At 31 December 2011 the amount assessed including penalties and interest amounted to BRL 478.2 million (\$257.6 million). The Group has challenged these assessments. As a result of the business combination with Subsea 7 Inc., in line with IFRS 3 'Business Combinations', a contingent liability of \$9.3 million was recognised as at 7 January 2011 in respect of claims made against Subsea 7 Brasil Serviços Ltda, equivalent to \$7.6 million as at 31 December 2012 (2011: \$8.5 million), however, no further provision has been made as the Group does not believe that likelihood of payment is probable.

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 - 'Business Combinations' requires the Group to recognise, as of the acquisition date, the fair value of contingent liabilities assumed if there is a present obligation that arises from past events, even where payment is not probable. The value recognised at 31 December 2012 was \$27.8 million (31 December 2011: \$31.3 million). Despite the requirements of IFRS 3, the Group continues to believe that payment is not probable.

In the course of business, the Group becomes involved in contract disputes from time-to-time due to the nature of activities as a contracting business involved in several long-term projects at any given time. The Group makes provisions to cover the expected risk of loss to the extent that negative outcomes are probable and reliable estimates can be made. However, the final outcomes of these contract disputes are subject to uncertainties as to whether or not they develop into a formal legal action and therefore the resulting liabilities may exceed the liability anticipated.

Furthermore, the Group is involved in legal proceedings from time-to-time incidental to the ordinary conduct of its business. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is reasonably possible that the final resolution of any litigation could require the Group to make additional expenditures in excess of provisions that it may establish. In the ordinary course of business, various claims, suits and complaints have been filed against the Group in addition to that specifically referred to above. Although the final resolution of any such other matters could have a material effect on 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.

Notes to the Condensed Consolidated Financial Statements

16. Cash flow from operating activities

	Twelve Months Ended 2012 31 Dec Audited	Thirteen Months Ended 2011 31 Dec Unaudited Restated ¹
For the period (in \$ millions)		
Cash flow from operating activities:		
Net income	847.2	450.7
Adjustments for:		
Depreciation of property, plant and equipment	314.5	307.6
Net (reversal of impairment)/impairment	(2.7)	25.4
Amortisation of intangible assets	13.2	26.4
Share in net income of associates and joint ventures	(86.3)	(103.7)
Mobilisation costs	5.7	3.4
Share-based payments	12.5	15.7
Finance income	(15.8)	(20.0)
Finance costs	44.8	40.4
Taxation	221.6	176.3
Losses on disposal of property, plant and equipment	0.2	2.9
Gain on disposal of subsidiary	(243.6)	–
Gain on distribution	(5.6)	–
Reclassification adjustments relating to foreign subsidiaries disposed of	(18.9)	–
	1,086.8	925.1
Changes in operating assets and liabilities, net of acquisitions:		
(Increase)/decrease in inventories	(12.0)	2.4
Increase in operating receivables	(451.3)	(462.4)
Increase in operating liabilities	107.7	345.7
	(355.6)	(114.3)
Income taxes paid	(216.1)	(231.4)
Net cash generated from operating activities	515.1	579.4

1 See Note 2 'Accounting policies' for details of restatement

17. Related party transactions

At 31 December 2012, the Group is an associate of Siem Industries Inc. Siem Offshore Inc. is an associate of Siem Industries Inc. and has Eystein Eriksrud as its Chairman and Kristian Siem as a board member.

During the period, in addition to normal trading transaction with subsidiaries of Siem Offshore Inc., the Group had paid a subsidiary of Siem Offshore Inc. a deposit of \$8.4 million relating to the purchase of *Seven Sisters*.

The purchase of the vessel was completed in March 2013 (see Note 18 'Post balance sheet events' for further details).

18. Post balance sheet events

Renewable energy division

In January 2013, the Group announced that it is to consolidate its renewable energy division into its joint venture Seaway Heavy Lifting. The consolidation will rationalise Subsea 7's offering to the renewables market, and enable Seaway Heavy Lifting to leverage Subsea 7's engineering and project management expertise to broaden its range of services and target larger projects.

Seven Havila loan

In February 2013, the Group repaid and cancelled its external loan and guarantee facility with DNB Bank ASA and the export finance agreement with Eksportfinans ASA. At 31 December 2012 there was \$157.7 million drawn under these facilities.

Proposed dividend

In the light of continued strong performance, the strength of the balance sheet and confidence in our business, the Board of Directors has decided to recommend shareholders to approve the payment of a special dividend of \$0.60 per share at the next Annual General Meeting on 28 June 2013.

Seven Sisters

In March 2013 the Group purchased *Seven Sisters* from Siem Rederi AS. The vessel is expected to be sold to the Group's joint venture SIMAR during 2013.

18. Post balance sheet events *continued*

ICMS cases

In 2013, 17 of the ICMS cases described in Note 15 'Contingent liabilities' with a total value of BRL 71.2 million (\$34.3 million) were heard at the administrative level of the Brazilian legal framework. The judgements were unfavorable to the Group. The respective cases will now be defended by the Group at the higher judicial level of the Brazilian legal system.

In January 2013 the law regarding interest and indexing state tax payable balances in Brazil was amended. This included the determination that interest and a monetary index should be applied to any penalty amounts. The Group was advised that such legislation could only be applied retrospectively if this was to the benefit of the Group. The penalty element of ICMS claims will therefore only be subject to this interest and monetary indexing from January 2013, and only if the cases are found against the Group.

The Group continues to believe that the likelihood of any payment is not probable and no further provision has been recognised.

Board of Directors

Mr. Arild Schultz and Mr. Trond Westlie have communicated to the Board of Directors on 13 March their intention not to stand for re-election on expiry of their term as Directors of Subsea 7 S.A. at the next Annual General Meeting on 28 June 2013.

-End-