Subsea 7 S.A. Announces First Quarter 2013 Results

Luxembourg – 16 May 2013 – Subsea 7 S.A. (the 'Group') (Oslo Børs: SUBC) announced today results for the first quarter 2013 which ended on 31 March 2013. Unless otherwise stated, the comparative period is the three months ended 31 March 2012. The Group's reporting segments are set out in Note 6 'Segment information'.

For the period (in $ millions, except Adjusted EBITDA margin, share and per share data)	**Three Months Ended 2013 31 Mar Unaudited**	Three Months Ended 2012 31 Mar Unaudited
Revenue	**1,467**	1,458
Adjusted EBITDA[1]	**241**	225
Adjusted EBITDA margin[1]	**16.4%**	15.4%
Net operating income	**154**	153
Net Income	**132**	93
Backlog	**10,222**	8,686
Cash and cash equivalents	**1,203**	819
Borrowings	**1,387**	900
Earnings per share – in $ per share		
Diluted	**$0.37**	$0.25
Weighted average number of common shares	**396.4m**	379.1m

1 For explanations and a reconciliation of Adjusted EBITDA and Adjusted EBITDA margin please refer to Note 8 to the Condensed Consolidated Interim Financial Statements included herein.

Jean Cahuzac, Chief Executive Officer, said:

"We have delivered good financial results, broadly in line with our expectations, and achieved a record $10.2 billion backlog. In 2013 we expect to deliver some progress in both revenue and Adjusted EBITDA compared to the previous year.

Although we have not seen a direct impact from oil price volatility on our clients' plans and overall tendering activity remains high, in recent months, some large industry projects around the world have been postponed for various reasons.

Our priorities have not changed. We remain disciplined in our bidding approach with a focus on project risk management and profitability. We continue to improve the capability of our fleet to meet our clients' growing demands, and we maintain a vigilant control of costs."

Operational highlights and outlook

Resources have been mobilised on Martin Linge, the largest ever EPIC project in the North Sea, and on Aasta Hansteen, a technology-rich pipe-in-pipe project awarded during the quarter. Offshore operations on these projects will commence in 2014 and 2015 respectively. Tendering levels remain strong in the North and Norwegian Seas, however we expect the benefits of improved pricing in 2013 to be somewhat mitigated by lower vessel utilisation as a result of a return to more normalised seasonal utilisation patterns and the fact that our backlog was awarded in late in 2012 and early 2013 with associated offshore activity in 2014 and beyond.

Seven Borealis continues to operate successfully on CLOV, offshore Angola. A good start has been made on both Lianzi, offshore Angola, and on Ehra North, offshore Nigeria. Offshore operations on these projects will commence in 2014 and 2015 respectively, and as a result, we expect West Africa to move through a period of lower offshore activity in 2013. The timing of additional market awards in West Africa remains uncertain. Tendering activity is improving in the Gulf of Mexico, albeit from a low base.

In Brazil, Guará-Lula NE has entered the critical offshore phase and remains a challenging project. Following the renewal of the *Kommandor 3000's* contract with Petrobras, we are in discussion for the renewal of additional pipelay support vessel (PLSV) contracts which are due to complete in 2013. We participated in the recently announced Petrobras tender for new-build PLSVs and market award is expected later this year. The Group was awarded a contract during the quarter for the installation of flexible pipe in the Santos pre-salt basin, to be executed by *Seven Seas,* largely on a day-rate basis.

Sapura 3000 re-commenced operations on the Gumusut project, offshore Malaysia, during the quarter. Meanwhile good progress was made on the ONGC G1 project offshore India, and on the Gorgon project, offshore Australia.

Delays in project awards to the market and some project postponements will temper the rate of progress in 2013. In addition, supply chain bottlenecks and cost pressures within the oil services industry persist, and the availability of experienced personnel remains a constraint. Despite these various industry challenges we remain positive about the medium and long-term market prospects.

Conference Call Details

Conference Call Information

Lines will open 15 minutes prior to conference call.

Date: 16 May 2013

Time: 12:00 UK Time

Conference ID: 30564419

	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: 16 May 2013
Time: 14:00 UK Time
Date: 29 May 2013
Time: 14:00 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:

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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 for the year ended 31 December 2012. These factors, and others which are discussed in our public filings, are among those that may cause actual and future results and trends 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

First Quarter 2013

Revenue
Revenue for the quarter was $1.5 billion, which was in line with revenue in Q1 2012.

Adjusted EBITDA
Adjusted EBITDA for the quarter was $241 million, an increase of $16 million or 7% compared to Q1 2012. Adjusted EBITDA margin was 16.4% compared to 15.4% in Q1 2012. The increase was mainly due to higher contributions from the Group's associates and joint ventures and reduced administrative expenses.

Net operating income
Net operating income was $154 million, in line with Q1 2012. Significant movements impacting net operating income were:

- an increase of $18 million in the Group's share of net income from associates and joint ventures compared to Q1 2012, with a higher contribution from Seaway Heavy Lifting during the quarter; and
- a decrease of $16 million in administrative expenses compared to Q1 2012, mainly related to the release of a provision recognised at the date of the business combination in 2011. The release of this provision was due to certain legal cases being settled in the Group's favour.

These increases were offset by a decrease in gross profit of $33 million, mainly due to reduced net operating income in Brazil.

Net income
Net income was $132 million, an increase of $39 million or 41% compared to Q1 2012. The increase was primarily due to:

- an effective tax rate for the quarter of 16% (Q1 2012: 36%). The underlying tax rate for the quarter after adjusting for discrete items was 31% (Q1 2012: 34%); and
- a net gain on disposal of property, plant and equipment of $13 million, disclosed within other gains and losses.

This increase was partly offset by an increase of $17 million in financing costs compared to Q1 2012 following the issuance of the $700 million convertible notes in October 2012. In addition, $6 million of break costs were incurred on early repayment of the Seven Havila loan and capitalised interest was lower due to the timing of expenditure incurred on assets under construction.

Cash and cash equivalents
Cash and cash equivalents were $1.2 billion at 31 March 2013, a decrease of $85 million in the quarter. Net cash generated from operations of $402 million was offset by purchases of property, plant and equipment of $183 million; the repayment of the $158 million Seven Havila loan and a loan of $115 million to the Group's joint venture, Eidesvik Seven, to fund the construction of *Seven Viking*.

Earnings per share
Diluted earnings per share was $0.37 compared to $0.25 in Q1 2012, an increase of 48% year-on-year.

Borrowings
Total borrowings amounted to $1.4 billion at 31 March 2013. The reduction of approximately $150 million from 31 December 2012 was largely due to the early repayment of the Seven Havila loan which amounted to $158 million.

Territory highlights

First Quarter 2013

Africa, Gulf of Mexico & Mediterranean (AFGOM)
Revenue of $529 million was in line with Q1 2012. There was progress on the Block 31 PSVM and CLOV projects, both offshore Angola. The MPN Satellite Field Development, offshore Nigeria, was substantially completed during the quarter. Net operating income was $86 million compared to $94 million in Q1 2012.

Asia Pacific & Middle East (APME)
Revenue was $123 million, an increase of $38 million or 44% compared to Q1 2012. There was significant progress on the Santos Fletcher and Gorgon Umbilical projects, offshore Australia, and the ONGC G1 project, offshore India. Net operating income was $15 million, compared to $3 million in Q1 2012 reflecting progress on the Gumusut project within the SapuraAcergy joint venture.

Brazil (BRAZIL)
Revenue for the first quarter was $217 million, a decrease of $44 million compared to Q1 2012. Procurement, engineering and project management continued on the Guará-Lula NE project, with offshore operations commencing in the second quarter. Vessels on long-term service agreements to Petrobras achieved high levels of utilisation. Net operating loss was $22 million (Q1 2012: net operating income $7 million). Results were impacted by *Seven Oceans* being in scheduled dry-dock, and by Petrobras notifying the Group of their intention to remove the offshore scope of the UOTE project due to delays they have experienced in obtaining environmental licences.

North Sea & Canada (NSC)
Revenue was $596 million compared to $578 million in Q1 2012. Work progressed during the quarter on the Svalin, Jetta, Eldfisk Subsea Installation and Knarr projects, offshore Norway, and Laggan Tormore, offshore UK. Net operating income was $85 million (Q1 2012: $78 million). During the quarter Shell announced that the Fram project was being cancelled and a commercial settlement with the client was agreed and recognised.

Corporate (CORP)
Revenue was $2 million (Q1 2012: $5 million). Net operating loss was $10 million (Q1 2012: net operating loss $28 million), with the improved results driven by the absence of integration costs, an increased contribution from Seaway Heavy Lifting, and

the release of a provision recognised at the date of the business combination in 2011. The release of this provision was due to certain legal cases being settled in the Group's favour.

Asset Development and Activities

First Quarter 2013

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'.

During the quarter *Acergy Legend and Acergy Orion* were sold. The *Acergy Harrier* was chartered to a third party and this has been treated as a finance lease arrangement.

In the quarter, the Group purchased *Seven Sisters* and has renamed the vessel *Simar Esperança*. The vessel has been deployed on the CLOV project.

Construction of the pipelay support vessel, *Seven Waves* and the new-build dive support vessel continued throughout the quarter on schedule and in line with projected cost.

Vessel utilisation during the first quarter was 74%, down from 86% in Q1 2012. Utilisation in Q1 2012 benefitted from unusually high levels of utilisation in NSC.

Backlog

The Group had a backlog of $10.2 billion at 31 March 2013, an increase of $1.1 billion or 13% compared to 31 December 2012. The increase was mainly attributable to major contract awards in NSC and AFGOM.

$7.6 billion of the backlog at 31 March 2013 related to SURF activity, $1.4 billion to Life-of-Field, $0.7 billion to Conventional and Hook-up and $0.5 billion to i-Tech. $4.0 billion of this backlog is expected to be executed in 2013, $3.5 billion in 2014 and $2.7 billion in 2015 and thereafter. Order intake from associates and joint ventures is excluded from backlog.

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Condensed Consolidated Income Statement

(in $ millions, except per share data)	**Three Months Ended 2013 31 Mar Unaudited**	Three Months Ended 2012 31 Mar Unaudited
Revenue	**1,467.1**	1,458.0
Operating expenses	**(1,252.8)**	(1,210.6)
Gross profit	**214.3**	247.4
Administrative expenses	**(75.6)**	(91.7)
Share of net income/(loss) of associates and joint ventures	**15.5**	(2.5)
Net operating income	**154.2**	153.2
Finance income	**7.1**	3.3
Other gains and losses	**21.3**	(2.2)
Finance costs	**(24.7)**	(7.5)
Income before taxes	**157.9**	146.8
Taxation	**(26.0)**	(53.5)
Net income	**131.9**	93.3
Net income/(loss) attributable to:		
Shareholders of the parent company	**133.6**	91.8
Non-controlling interests	**(1.7)**	1.5
	131.9	93.3

Earnings per share	**$ per share**	$ per share
Basic	**0.40**	0.27
Diluted	**0.37**	0.25

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Condensed Consolidated Statement of Comprehensive Income

(in $ millions)	**Three Months Ended 2013 31 Mar Unaudited**	Three Months Ended 2012 31 Mar Unaudited
Net income	**131.9**	93.3
Other comprehensive income		
Items that may be reclassified to the income statement in subsequent periods:		
Foreign currency translation	**(235.1)**	73.9
Cash flow hedges:		
Net fair value (losses)/gains	**(19.8)**	16.1
Reclassification adjustments for amounts recognised in the income statement	**(0.3)**	(0.7)
Adjustments for amounts transferred to the initial carrying amounts of hedged items	**0.2**	(0.6)
Share of other comprehensive income/(loss) of associates and joint ventures	**2.5**	(0.3)
Taxation relating to components of other comprehensive income	**12.1**	(3.3)
Other comprehensive (expense)/income	**(240.4)**	85.1
Total comprehensive (expense)/income	**(108.5)**	178.4
Total comprehensive (expense)/income attributable to:		
Shareholders of the parent company	**(106.8)**	176.7
Non-controlling interests	**(1.7)**	1.7
	(108.5)	178.4

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Condensed Consolidated Balance Sheet

As at (in $ millions)	2013 31 Mar Unaudited	2012 31 Dec Audited
Assets		
Non-current assets		
Goodwill	**2,470.4**	2,574.8
Intangible assets	**22.1**	24.4
Property, plant and equipment	**3,737.8**	3,748.3
Interest in associates and joint ventures	**237.1**	223.1
Advances and receivables	**168.0**	47.4
Derivative financial instruments	**7.2**	20.5
Retirement benefit assets	**0.3**	0.3
Deferred tax assets	**34.6**	35.4
	6,677.5	6,674.2
Current assets		
Inventories	**67.9**	59.3
Trade and other receivables	**999.7**	1,090.3
Derivative financial instruments	**7.1**	53.5
Assets classified as held for sale	**331.2**	317.6
Construction contracts – assets	**517.9**	541.3
Other accrued income and prepaid expenses	**443.2**	471.0
Restricted cash	**20.0**	–
Cash and cash equivalents	**1,202.8**	1,287.9
	3,589.8	3,820.9
Total assets	**10,267.3**	10,495.1
Equity		
Issued share capital	**703.6**	703.6
Treasury shares	**(442.8)**	(443.9)
Paid in surplus	**3,884.2**	3,881.8
Equity reserves	**359.2**	359.2
Translation reserves	**(185.0)**	44.0
Other reserves	**(92.7)**	(81.3)
Retained earnings	**1,993.8**	1,861.1
Equity attributable to shareholders of the parent company	**6,220.3**	6,324.5
Non-controlling interests	**42.1**	43.8
Total equity	**6,262.4**	6,368.3
Liabilities		
Non-current liabilities		
Non-current portion of borrowings	**900.3**	1,040.9
Retirement benefit obligations	**23.0**	23.4
Deferred tax liabilities	**97.0**	111.6
Provisions	**27.9**	38.2
Contingent liability recognised	**12.6**	27.8
Derivative financial instruments	**7.8**	6.7
Other non-current liabilities	**12.9**	9.0
	1,081.5	1,257.6
Current liabilities		
Trade and other liabilities	**1,583.8**	1,452.0
Derivative financial instruments	**29.7**	31.6
Current tax liabilities	**190.3**	201.1
Current portion of borrowings	**487.1**	494.5
Liabilities directly associated with assets classified as held for sale	**203.5**	167.3
Provisions	**11.1**	11.8
Construction contracts – liabilities	**411.2**	434.1
Deferred revenue	**6.7**	76.8
	2,923.4	2,869.2
Total liabilities	**4,004.9**	4,126.8
Total equity and liabilities	**10,267.3**	10,495.1

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Condensed Consolidated Statement of Changes in Equity
For the 3 months ended 31 March 2013

(in $ millions, Unaudited)	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 2013	**703.6**	**(443.9)**	**3,881.8**	**359.2**	**44.0**	**(81.3)**	**1,861.1**	**6,324.5**	**43.8**	**6,368.3**
Comprehensive income										
Net income	–	–	–	–	–	–	133.6	133.6	(1.7)	131.9
Exchange differences	–	–	–	–	(235.1)	–	–	(235.1)	–	(235.1)
Cash flow hedges	–	–	–	–	–	(19.9)	–	(19.9)	–	(19.9)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	2.5	–	2.5	–	2.5
Tax relating to components of other comprehensive income	–	–	–	–	6.1	6.0	–	12.1	–	12.1
Total comprehensive income	**–**	**–**	**–**	**–**	**(229.0)**	**(11.4)**	**133.6**	**(106.8)**	**(1.7)**	**(108.5)**
Transactions with owners										
Share-based compensation	–	–	2.4	–	–	–	–	2.4	–	2.4
Shares reissued	–	1.1	–	–	–	–	–	1.1	–	1.1
Loss on reissuance of treasury shares	–	–	–	–	–	–	(0.9)	(0.9)	–	(0.9)
Total transactions with owners	**–**	**1.1**	**2.4**	**–**	**–**	**–**	**(0.9)**	**2.6**	**–**	**2.6**
Balance at 31 March 2013	**703.6**	**(442.8)**	**3,884.2**	**359.2**	**(185.0)**	**(92.7)**	**1,993.8**	**6,220.3**	**42.1**	**6,262.4**

For the 3 months ended 31 March 2012

(in $ millions, Unaudited)	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	–	–	–	–	–	–	91.8	91.8	1.5	93.3
Exchange differences	–	–	–	–	73.9	–	–	73.9	–	73.9
Cash flow hedges	–	–	–	–	–	14.6	–	14.6	0.2	14.8
Share of other comprehensive loss of associates and joint ventures	–	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Tax relating to components of other comprehensive income	–	–	–	–	–	(3.3)	–	(3.3)	–	(3.3)
Total comprehensive income	**–**	**–**	**–**	**–**	**73.9**	**11.0**	**91.8**	**176.7**	**1.7**	**178.4**
Transactions with owners										
Shares acquired	–	(14.2)	–	–	–	–	–	(14.2)	–	(14.2)
Share-based compensation	–	–	3.8	–	–	–	–	3.8	–	3.8
Shares reissued	–	1.4	–	–	–	–	–	1.4	–	1.4
Other movements	–	–	–	–	–	–	1.4	1.4	–	1.4
Loss on reissuance of treasury shares	–	–	–	–	–	–	(0.9)	(0.9)	–	(0.9)
Total transactions with owners	**–**	**(12.8)**	**3.8**	**–**	**–**	**–**	**0.5**	**(8.5)**	**–**	**(8.5)**
Balance at 31 March 2012	**703.6**	**(291.3)**	**4,189.3**	**278.6**	**37.6**	**(84.6)**	**1,116.0**	**5,949.2**	**53.2**	**6,002.4**

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Condensed Consolidated Cash Flow Statement

(in $ millions)	**Three Months Ended 2013 31 Mar Unaudited**	Three Months Ended 2012 31 Mar Unaudited
Net cash generated from operating activities	**402.0**	172.7
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	**8.8**	0.4
Purchases of property, plant and equipment	**(182.9)**	(132.9)
Purchases of intangible assets	**(1.0)**	–
Interest received	**7.1**	3.3
Dividends received from associates and joint ventures	**2.3**	2.0
Investments in associates and joint ventures	**(1.4)**	–
Net cash used in investing activities	**(167.1)**	(127.2)
Cash flows from financing activities:		
Interest paid	**(9.7)**	(3.9)
Repayment of borrowings	**(158.1)**	(5.8)
Loan to joint venture	**(115.3)**	–
Treasury share buyback	**–**	(2.7)
Proceeds from reissuance of treasury shares	**0.2**	0.6
Net cash used in financing activities	**(282.9)**	(11.8)
Net (decrease)/increase in cash and cash equivalents	**(48.0)**	33.7
Cash and cash equivalents at beginning of period	**1,287.9**	803.4
Effect of foreign exchange rate movements on cash and cash equivalents	**2.1**	21.9
Increase in restricted cash balances	**(20.0)**	(23.4)
Increase in cash balances classified as assets held for sale	**(19.2)**	(16.5)
Cash and cash equivalents at end of period	**1,202.8**	819.1

1. General information

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 address of the registered office is 412F, route d'Esch, L-2086 Luxembourg. The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 15 May 2013.

2. Basis of Preparation

The Condensed Consolidated Interim Financial Statements for the period 1 January 2013 to 31 March 2013 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 Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2012 which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB and as adopted by the EU.

The Condensed Consolidated Interim Financial Statements are unaudited.

3. Accounting policies

Basis of accounting

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with the Consolidated Financial Statements for the year 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 standards have been adopted from 1 January 2013:

IFRS 13 'Fair Value Measurement'

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 did not materially impact the fair value measurements carried out by the Group.

IFRS 13 also requires detailed disclosures on fair values. Some of these disclosures are specifically required by IAS 34 and are detailed in Note 17.

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

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

Revisions to IAS 19 'Employee Benefits'

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The impact of this amendment was not significant for the Group as actuarial gains and losses are currently recognised in full in other comprehensive income. The impact on the net benefit expense due to the expected return on plan assets being calculated using the same interest rate as applied for the purpose of discounting the benefit obligation was not significant.

Improvements to IFRSs 2009-2011

In May 2012, the IASB issued the Improvements to IFRSs 2009 – 2011, which contains amendments to its standards and the related Basis for Conclusions. The amendments which could impact the Group are:

- IAS 1 'Presentation of Financial Statements': The difference between voluntary additional comparative information and the minimum required comparative information is clarified. In addition, the opening balance sheet must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the balance sheet.
- IAS 16 'Property, Plant and Equipment': This amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- IAS 32 'Financial Instruments: Presentation': This amendment removes existing income tax requirements from IAS 32 and requires the Group to apply the requirements in IAS 12 to any income tax arising from distributions to shareholders of the parent company.
- IAS 34 'Interim Financial Reporting': Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the Chief Operating Decision Maker and there has been a material change in the total amount disclosed in the Group's previous annual financial statements for that reportable segment.

The impact for the Group was not significant in the quarter.

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 year 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 year ended 31 December 2012:

- Revenue recognition on long-term contracts;
- Revenue recognition on variation orders and claims;
- Goodwill carrying value;
- 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 2013 and 2012 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 2013 and 2012 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.

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)

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

Asia Pacific & Middle East (APME)

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

Brazil (BRAZIL)

This segment includes activities in Brazil including a pipeline fabrication spoolbase at Ubu. It also includes the GSNC Shallow joint venture.

North Sea & Canada (NSC) formerly North Sea, Mediterranean & Canada (NSMC)

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

Corporate (CORP)

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

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

6. Segment information (continued)

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

For the three months ended 31 March 2013

(in $ millions, Unaudited)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	**528.9**	**123.4**	**216.8**	**595.7**	**2.3**	**1,467.1**
Net operating income/(loss) from operations	**86.0**	**14.5**	**(21.6)**	**84.8**	**(9.5)**	**154.2**
Investment income from bank deposits						**7.1**
Other gains and losses						**21.3**
Finance costs						**(24.7)**
Income before taxes						**157.9**

For the three months ended 31 March 2012

(in $ millions, Unaudited)	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	528.1	85.6	261.2	578.2	4.9	1,458.0
Net operating income/(loss) from operations	93.8	2.8	6.6	77.6	(27.6)	153.2
Investment income from bank deposits						3.3
Other gains and losses						(2.2)
Finance costs						(7.5)
Income before taxes						146.8

7. Earnings per share

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the parent company by the weighted average number of common shares in issue during the quarter, 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.

(in $ millions, except share and per share data)	**Three Months Ended 2013 31 Mar Unaudited**	Three Months Ended 2012 31 Mar Unaudited
Net income attributable to shareholders of the parent company	**133.6**	91.8
Interest on convertible loan notes (less amounts capitalised)	**14.9**	3.2
Earnings used in the calculation of diluted earnings per share	**148.5**	95.0

(Number of shares)	**Three Months Ended 2013 31 Mar Unaudited**	Three Months Ended 2012 31 Mar Unaudited
Weighted average number of common shares used in the calculation of basic earnings per share	**331,682,637**	338,746,926
Convertible loan notes	**63,391,519**	38,642,832
Share options, performance shares and restricted shares	**1,341,040**	1,730,148
Total diluted number of shares	**396,415,196**	379,119,906

(in $ per share)	**Three Months Ended 2013 31 Mar Unaudited**	Three Months Ended 2012 31 Mar Unaudited
Basic earnings per share	**0.40**	0.27
Diluted earnings per share	**0.37**	0.25

8. Adjusted EBITDA and Adjusted EBITDA margin

Adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either year-on-year or with other businesses. The Group calculates Adjusted EBITDA as net income plus finance costs, taxation, depreciation, amortisation and mobilisation and adjusted to exclude finance income, other gains and losses and impairment charges or reversals. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue.

The items excluded from Adjusted EBITDA represent items which are individually or collectively material but which are not considered representative of the performance of the business during the periods presented. Other gains and losses principally relate to disposals of investments, property, plant and equipment and net foreign exchange gains or losses. Impairments of assets represent the excess of the assets' carrying amount over the amount that is expected to be recovered from their use in the future or their sale.

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

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

Reconciliation to net operating income:

For the period (in $ millions)	**Three Months Ended 2013 31 Mar Unaudited**	Three Months Ended 2012 31 Mar Unaudited
Net operating income	**154.2**	153.2
Depreciation, amortisation and mobilisation	**87.4**	77.6
Reversal of impairments	**(0.8)**	(5.9)
Adjusted EBITDA	**240.8**	224.9
Revenue	**1,467.1**	1,458.0
Adjusted EBITDA %	**16.4%**	15.4%

Reconciliation to net income:

For the period (in $ millions)	**Three Months Ended 2013 31 Mar Unaudited**	Three Months Ended 2012 31 Mar Unaudited
Net income	**131.9**	93.3
Depreciation, amortisation and mobilisation	**87.4**	77.6
Reversal of impairments	**(0.8)**	(5.9)
Investment income	**(7.1)**	(3.3)
Other gains and losses	**(21.3)**	2.2
Finance costs	**24.7**	7.5
Taxation	**26.0**	53.5
Adjusted EBITDA	**240.8**	224.9
Revenue	**1,467.1**	1,458.0
Adjusted EBITDA %	**16.4%**	15.4%

9. Dividends

Proposed dividend

In the light of continued strong performance, the strength of the Consolidated Balance Sheet and confidence in the 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.

10. Goodwill

The movement in goodwill during the quarter was as follows:

(in $ millions)	**Three Months Ended 2013 31 Mar Unaudited**	Three Months Ended 2012 31 Mar Unaudited
At period beginning	**2,574.8**	2,566.6
Exchange differences	**(104.4)**	31.5
At period end	**2,470.4**	2,598.1

11. Property, plant and equipment

Significant additions to property, plant and equipment for the three months ended 31 March 2013 were as follows:

- purchase of *Simar Esperança*;
- 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 March 2013, 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 March 2013. 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 the quarter, a decrease in the carrying value of the net assets of Sonamet and Sonacergy, following a loss for the quarter, offset by an adjustment to the net present value of the proceeds resulted in an impairment reversal of $0.8 million (2012: $3.7 million impairment reversal). The reversal was recognised in the Consolidated Income Statement in operating expenses.

Vessels classified as held for sale

During the quarter *Acergy Legend* and *Acergy Orion* were sold. *Acergy Harrier* was chartered to a third party in a finance lease arrangement. At 31 December 2012 these vessels were recognised as assets classified as held for sale.

13. Treasury shares

During Q1 2013, the Group issued 129,440 treasury shares (Q1 2012: 152,106), to employees to satisfy its commitments under share option and restricted share schemes, in accordance with the terms of those schemes.

At 31 March 2013, the Group owned 17,549,788 common shares as treasury shares, representing 5.0% 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 common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 726,804 shares were held in a separate employee benefit trust to support the restricted stock award plan and other specified stock option awards.

14. Borrowings

During the quarter the Group repaid the NOK 937.4 million ($158.1 million) Seven Havila loan. This loan comprised an external loan and guarantee facility with DnB Bank ASA and a loan facility with Eksportfinans ASA.

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 March 2013 amounted to BRL 573.6 million ($284.4 million). The Group has challenged these assessments. During the quarter, 17 of the ICMS cases 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. The Group continues to believe that the likelihood of any payment is not probable and, other than as required by IFRS 3 'Business Combinations', no provision has been recognised.

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 - 'Business Combinations' required 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 March 2013 was $12.6 million (31 December 2012: $27.8 million). The decrease in the quarter mainly related to $16.4 million of provisions for contingent liabilities which were released relating to a number of cases where legal decisions found in favour of the Group and the cases were closed. Despite the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

16. Cash flow from operating activities

For the period (in $ millions)	Three Months Ended 2013 31 Mar Unaudited	Three Months Ended 2012 31 Mar Unaudited
Cash flow from operating activities:		
Net income	**131.9**	93.3
Adjustments for:		
Depreciation of property, plant and equipment	**83.1**	74.4
Net reversal of impairment	**(0.8)**	(5.9)
Amortisation of intangible assets	**2.3**	2.4
Share in net (income)/loss of associates and joint ventures	**(15.5)**	2.5
Mobilisation costs	**2.0**	0.8
Share-based payments	**2.4**	3.8
Finance income	**(7.1)**	(3.3)
Finance costs	**24.7**	7.5
Taxation	**26.0**	53.5
Gains on disposal of property, plant and equipment	**(12.7)**	(0.2)
Foreign currency exchange losses on long-term intercompany balances	**(37.5)**	–
	198.8	228.8
Changes in operating assets and liabilities, net of acquisitions:		
Increase in inventories	**(11.8)**	(4.2)
Decrease in operating receivables	**131.5**	1.3
Increase/(decrease) in operating liabilities	**117.3**	(4.7)
	237.0	(7.6)
Income taxes paid	**(33.8)**	(48.5)
Net cash generated from operating activities	**402.0**	172.7

17. Fair value and financial instruments

Except as detailed in the following table, the carrying value of the Group's financial instruments is equal to fair value (for derivative financial instruments) or approximates the fair value of the financial instruments due to their short maturities:

As at (in $ millions)	2013 31 Mar Carrying amount	2013 31 Mar Fair value	2012 31 Dec Carrying amount	2012 31 Dec Fair value
Financial liabilities				
Borrowings – convertible loan notes	**1,387.4**	**1,416.9**	1,377.7	1,398.8

Borrowings – convertible loan notes

The fair value of the liability components of convertible loan notes is determined by matching the maturity profile of the note to market interest rates available to the Group. At the balance sheet date the interest rates available ranged from 2.1% to 3.7%.

Fair value measurements

Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

Recurring and non-recurring fair value measurements

Recurring fair value measurements are those that IFRSs require at the end of each reporting period and non-recurring fair value measurements are those that IFRSs require or permit in particular circumstances.

17. Fair value and financial instruments (continued)

Assets and liabilities which are measured at fair value in the Condensed Consolidated Balance Sheet and their level of the fair value hierarchy were as follows:

As at (in $ millions)	**2013 31 Mar Level 2**	**2013 31 Mar Level 3**	2012 31 Dec Level 2	2012 31 Dec Level 3
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
Derivative instruments	**7.4**	**–**	53.9	–
Derivative instruments in designated hedge accounting relationships	**6.9**	**–**	20.1	–
Financial liabilities at fair value through profit or loss:				
Derivative instruments	**22.3**	**–**	30.2	–
Derivative instruments in designated hedge accounting relationships	**15.2**	**–**	8.1	–
Non-recurring fair value measurements				
Assets classified as held for sale	**–**	**127.7**	–	150.3

During the quarter there have been no transfers between levels of the fair value hierarchy. The Group accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstance that caused the transfer.

Fair value techniques and inputs

Financial assets and liabilities at fair value through profit or loss

The Group's financial assets and liabilities fair value through profit or loss comprised:

- Forward foreign exchange contracts
  The fair value of outstanding forward foreign exchange contracts was calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.
- Interest rate swap
  The fair value of the Group's interest rate swap was calculated using quoted 3 month US Dollar LIBOR rates. At the balance sheet date the three month US Dollar LIBOR rate was 0.3%.

Non-recurring fair value measurements

The Group's investments in Sonamet and Sonacergy, as described in Note 12 'Assets classified as held for sale' were valued at fair value less costs to sell in accordance with IFRS 5. The agreed consideration is discounted based on the estimated timing of the receipt of such proceeds using the Group's weighted average cost of capital. There has been no change to the valuation policies and procedures in the quarter. Further information on the income statement impact for the quarter is included within Note 12. Changes in fair value are recorded in the Condensed Consolidated Income Statement as impairment charges within operating expenses.

18. Related party transactions

At 31 March 2013, the Group was 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 quarter, in addition to normal trading transactions, the Group purchased *Seven Sisters* from a subsidiary of Siem Offshore Inc. The vessel was renamed *Simar Esperança* and is expected to be sold to the Group's joint venture SIMAR during 2013.

During the quarter the Group provided a loan of NOK 672 million ($115.3 million) to its joint venture Eidesvik Seven to fund the construction of *Seven Viking*. The loan was made on arms-length commercial terms.

19. Post balance sheet events

In April 2013, 369,075 of Group's LTIP 2009 share awards vested. 146,775 of these were satisfied by the issue of treasury shares held by an indirect subsidiary of Subsea 7 S.A., and 222,300 were satisfied by the issue of shares held by an employee benefit trust.