Subsea 7 S.A.

Annual Accounts
and
Report of the Réviseur d'Entreprises Agréé

31 December 2015

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

Subsea 7 S.A.

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

Report of the Réviseur d'Entreprises Agréé

Report on the Annual Accounts

Following our re-appointment by the General Meeting of the Shareholders dated 17 April 2015, we have audited the accompanying Annual Accounts of Subsea 7 S.A., which comprise the balance sheet as at 31 December 2015 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the Annual Accounts
The Board of Directors is responsible for the preparation and fair presentation of these Annual Accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the Annual Accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of Annual Accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé
Our responsibility is to express an opinion on these Annual Accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Annual Accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Accounts. The procedures selected depend on the judgment of the réviseur d'entreprises agréé, including the assessment of the risks of material misstatement of the Annual Accounts, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the Annual Accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Annual Accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the Annual Accounts give a true and fair view of the financial position of Subsea 7 S.A. as of 31 December 2015, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the Annual Accounts.

Report on other legal and regulatory requirements

The Directors' report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the Annual Accounts and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Thierry Bertrand
Luxembourg, 1 March 2016

Report of the Board of Directors of
Subsea 7 S.A. (the Company)
to be held at the registered office at 412F, route d'Esch, L-2086 Luxembourg.

Dear Shareholders,

We are pleased to submit for your approval the Balance Sheet as at 31 December 2015 and the Profit and Loss Account for the year then ended.

The net loss for the year ended 31 December 2015 was $1,322.2 million (2014: net profit of $195.1 million). The net loss for the year was mainly as a result of the recognition of an impairment of $1,273.4 million related to a reduction in the carrying value of investments in affiliated undertakings. The impairment arose as a result of the Company's review of the carrying values of investments and followed a reorganisation of the corporate structure of the Subsea 7 Group (the Group). In addition, $48.4 million was recognised in relation to interest and other financial charges for the year ended 31 December 2015 (2014: $47.8 million).

Reflecting the challenges facing the oil and gas industry in the near to medium-term, and in order to preserve the Group's financial flexibility so that it can benefit from opportunities that may arise during the downturn, the Board of Directors will recommend to the shareholders at the Annual General Meeting that no dividend be paid in respect of 2015.

The Company has access to a short-term working capital facility provided by Subsea 7 Treasury (UK) Limited, an affiliated undertaking of the Company, which, in the opinion of the Board of Directors, provides sufficient liquidity to support the business going forward. In addition the Board of Directors believes that should additional financing be required, over and above that available from the Subsea 7 Treasury (UK) Limited facility, this would be made available from the Group.

Board of Directors changes
There were no changes to the Board of Directors during the year ended 31 December 2015.

Equity transactions

Equity mandates
At the 2011 Annual General Meeting (the 2011 AGM) and in accordance with the Company's Articles of Incorporation, the Board of Directors was given authority under which it could approve the purchase of the Company's common shares up to a limit of 10% of the common shares as at the time of the 2011 AGM, net of the common shares previously repurchased and still held. This authority was subject to certain price conditions and was valid for five years. Such a mandate is allowed under Luxembourg law under which the Company is incorporated.

At an extraordinary general meeting of shareholders (the 2014 EGM) held on 27 November 2014, in accordance with the Articles of Incorporation, the Board of Director's authority to approve the purchase of the Company's common shares, up to a limit of 10% of the issued common shares, net of the common shares previously repurchased and still held, was granted until 26 November 2019. This authority is conditional on such purchases being made in open market transactions through the Oslo Børs, and subject to certain limitations and purchase price conditions. The Board of Directors was also granted authority, for a period ending on 26 May 2020, to cancel shares repurchased under such authorisation and to reduce the issued share capital through such cancellations, and to record such reduction of share capital and the consequential amendment of the Articles of Incorporation in accordance with Luxembourg law. This is allowed under Luxembourg law under which the Company is incorporated.

An extraordinary general meeting was held on 17 April 2015 at which the Company's shareholders approved the restatement of the authorised share capital at $900,000,000 with any authorised but unissued common shares lapsing on 4 June 2018. Additionally, the Board of Directors was authorised to issue new shares within the authorised unissued share capital. The Board of Directors was authorised to waive, suppress or limit existing shareholders' preferential subscription rights up to a maximum of 33,216,706 common shares (representing 10% of the issued common shares as at 17 April 2015). These authorisations were granted for a period of three years, expiring on 4 June 2018, to inter alia reduce the administrative burden of convening an extraordinary general meeting annually.

Share repurchase programme
On 31 July 2014, the Company announced a share repurchase programme of up to $200 million. The programme was approved pursuant to the standing authorisation granted to the Board of Directors at the 2011 AGM.

At the 2014 EGM, the Board of Directors was authorised inter alia to cancel any shares repurchased until 26 May 2020 and to reduce the issued share capital through such cancellations.

Report of the Board of Directors of Subsea 7 S.A. (the Company) to be held at the registered office at 412F, route d'Esch, L-2086 Luxembourg.

Equity transactions (continued)

Share repurchase programme (continued)

During 2015, the Group repurchased 815,578 common shares under the July 2014 share repurchase programme for a total consideration of $7.6 million, each having a nominal value of $2.00 (representing in aggregate 0.25% of the subscribed capital of the Company). Of the total repurchased in the year, 11,000 common shares were repurchased directly by the Company for $0.1 million in cash, and 804,578 common shares were repurchased by a wholly-owned indirect affiliated undertaking of the Company for $7.5 million in cash.

On 28 July 2015, the Board of Directors authorised a 24 month extension to the Group's share repurchase programme of up to $200 million.

All repurchases were made in the open market on the Oslo Børs, pursuant to certain conditions, and are in conformity with Article 49-2 of the Luxembourg Company Law and the EU Commission Regulation 2273/2003 on exemptions for repurchase programmes and stabilisation of financial instruments. The repurchased shares were held as treasury shares until either cancelled or re-issued.

Purchase and subsequent cancellation of treasury shares

On 30 April 2015 the Company purchased 4,808,956 common shares for an amount of $51.3 million from Subsea 7 Investing (Bermuda) Limited, a wholly-owned indirect affiliated undertaking.

On 30 September 2015 4,799,956 common shares held in treasury were cancelled further to a decision by the Board of Directors, pursuant to the authority granted at the 2014 EGM, representing approximately 1.4% of the number of issued common shares. These shares were duly cancelled on 30 September 2015. As a result, the subscribed share capital of the Company was reduced by $9,599,912. In order to satisfy performance shares under the Group's 2009 Long-term Incentive Plan a total of 88,000 common shares were transferred from an employee benefit trust in November for an amount of $0.3 million. As at 31 December 2015 a total of 31,683 common shares were held by the Company as treasury shares.

Subsequent to the share cancellation on 30 September 2015, the Board of Directors is authorised to cancel up to a further 28,416,750 repurchased common shares. This authority will lapse on 26 May 2020.

Bonds repurchases

$700 million 1.00% convertible bonds due 2017 (2017 Bonds)

During 2015 the Company repurchased $70.0 million (nominal value) of the 2017 Bonds for $64.7 million in cash. In addition the Company purchased $81.8 million (nominal value) of the 2017 Bonds from Subsea 7 Investing (Bermuda) Limited for an amount of $76.2 million. These bonds have not been cancelled and continue to be held by the Company and are available for re-issue at a future date.

Legal and regulatory framework

The Company is a 'société anonyme' organised in the Grand Duchy of Luxembourg under the Company Law of 1915, as amended, and was incorporated in Luxembourg in 1993 and acts as the holding company for all of the Group's activities.

The Company's registered office is located at 412F, route d'Esch, L-2086 Luxembourg. The Company is registered with the Luxembourg Register of Commerce and Companies under the designation 'R.C.S. Luxembourg B 43172'. As a company incorporated in Luxembourg and with shares traded on The Oslo Børs and American Depository Receipts (ADRs) traded over-the-counter in the United States. The Company is subject to Luxembourg laws and regulations with respect to corporate governance.

As a company listed on the Oslo Børs, the Company follows the Norwegian Code of Practice for Corporate Governance on a 'comply or explain' basis, where this does not contradict Luxembourg laws and regulations. The Norwegian Code of Practice for Corporate Governance is available at http://www.nues.no/en/.

Report of the Board of Directors of Subsea 7 S.A. (the Company) to be held at the registered office at 412F, route d'Esch, L-2086 Luxembourg.

Corporate Governance

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

The Board of Directors is charged with ensuring that the Group conducts its business in accordance with exacting standards of business practice worldwide and observes high ethical standards. The Group conducts its operations in challenging environments, which heightens the need for a robust culture of governance, and the role of the Board of Directors is to proactively encourage, monitor and safeguard this governance culture. The Board of Directors and its Committees oversee the management of the Group's operations and the effectiveness of its internal controls.

The work of the Board of Directors is based on a clearly defined division of roles and responsibilities between the shareholders, the Board of Directors and the Executive Management Team of the Group. Our governing structures and controls help to ensure that we run our business in an appropriate manner for the benefit of shareholders, employees, clients and other stakeholders in the countries in which the Group operates.

One class of shares

The Company has one class of shares which are listed on the Oslo Børs. Each share carries equal rights including an equal voting right at annual or extraordinary general meetings of shareholders of the Company. No shares carry any special control rights. The Articles of Incorporation contain no restrictions on voting rights.

Share issues

The Board of Directors is authorised to suppress the pre-emptive rights of shareholders under certain circumstances and within the limits set forth above. This is to allow flexibility to deal with matters deemed to be in the best interest of the Company.

In the event of the Board of Directors resolving to issue new shares and waive the pre-emptive rights of existing shareholders, the Board of Directors intends to comply with the recommendation of The Norwegian Code of Practice for Corporate Governance that the justification for such a waiver is noted in the Stock Exchange announcement relating to such a share issue.

Freely negotiable shares

Subsea 7's shares are traded as common shares on the Oslo Børs and as ADRs over-the-counter in the United States. All shares are freely negotiable. The Articles of Incorporation contain no form of restriction on the negotiability of shares in the Company.

Take-overs

The Company's Board of Directors endorses the principles concerning equal treatment of all shareholders. In the event of a take-over bid, it is obliged to act in accordance with the requirements of Luxembourg law and in accordance with the applicable principles for good corporate governance.

Significant beneficial owners

The Company has been notified of the following significant shareholders who own more than 5% of the Company's subscribed capital:

	%[(a)]
Siem Industries Inc.	21.3
Folketrygdfondet	8.3
Orbis Investment Management Limited	5.5
BlackRock, Inc.	5.0

(a) Information is correct as at 31 December 2015.

Report of the Board of Directors of
Subsea 7 S.A. (the Company)
to be held at the registered office at 412F, route d'Esch, L-2086 Luxembourg.

Articles of Incorporation

The Company's Articles of Incorporation are available on Subsea 7's website: www.subsea7.com. Luxembourg law requires the convening of an extraordinary general meeting (EGM) of shareholders to resolve upon any amendment to the Articles of Incorporation. An EGM of shareholders must have a quorum of at least 50% of the capital present or represented. If that quorum is not reached, the EGM of shareholders may be reconvened. At such reconvened meeting, no quorum will be required. Irrespective of whether the proposed matter will be subject to a vote at the first or at a subsequent EGM of shareholders, its approval will require at least two thirds of the votes cast in favour at such EGM of shareholders. Abstentions are not considered as votes.

The Articles of Incorporation were amended twice during 2015, firstly at the EGM that took place on 17 April 2015 and secondly on 30 September 2015 following the reduction of the issued share capital.

The Articles of Incorporation were amended to reflect the resolutions passed at an EGM on 17 April 2015 at which inter alia the authorised share capital was restated at $900 million. Furthermore, they were amended to show that the Board of Directors was authorised at the EGM to issue new shares within the authorised but un-issued share capital. The Articles were also amended as regards the authorisation granted to the Board of Directors to waive, suppress or limit existing shareholders' preferential subscription rights up to 33,216,706 common shares. These authorisations will expire on 4 June 2018.

On 30 September 2015, the Articles of Incorporation were amended by way of a notarial deed to record the reduction of issued share capital by $9,599,912 as approved by the Board of Directors on 23 September 2015 (as authorised at the 2014 EGM). Accordingly, the Articles of Incorporation show the issued capital of the Company as being $654,734,222 represented by 327,367,111 common shares with a nominal value of $2.00 per share.

Risks and uncertainties

The Company is a holding company and is therefore dependent on the earnings and cash flows of, and dividends and distributions from, its affiliated undertakings to pay expenses, meet its financial obligations, pay any cash dividends or distributions on its common shares or conduct share and convertible bond repurchases. Significant cash or cash equivalent balances are held from time to time in the Company's international affiliated undertakings, including in particular those in the United Kingdom, where the Company maintains cash management systems under which most of its cash and cash equivalents are centralised, and in certain other countries in which the Group operates. Certain of these affiliated undertakings have debt outstanding or are subject to restrictions on the payment of dividends, but such restrictions are not significant in the context of the Company's overall liquidity. Repatriation of funds from affiliated undertakings may also be affected by tax and foreign exchange policies in place from time to time in the various countries where the Group operates, though none of these are significant in the context of the Group's overall liquidity. If the cash flows of its affiliated undertakings are substantially reduced, the Company may not be in a position to meet its operational needs or to make shareholder distributions.

The Company is subject to certain risks and uncertainties which are common with those that exist within the Group as a whole, and the Company may be affected by these risks and uncertainties. The Group's reputation and its ability to do business may be impaired by inappropriate behaviour by any of its employees, agents or other persons associated with it. While the Group is committed to conducting business in a legal and ethical manner, there is a risk that its employees, agents or such other persons may take actions that breach the law and could result in monetary penalties, convictions, debarment and damage to its reputation and could therefore impact its ability to do business.

The Group's working capital position will be affected by the timing of cash flows where the timing of receipts from clients (typically based on completion of contractual milestones) may not necessarily match the timing of payments the Group makes to its suppliers. In executing some of its contracts the Group is often required by its clients in the normal course of business to issue performance related bonds and guarantees. Access to credit from financial institutions in support of these instruments is fundamental to the Group's ability to compete, particularly for large Engineering, Procurement, Installation and Commissioning ('EPIC') contracts. The availability of short and long-term external financing is required to help meet the financial obligations as they fall due. In the event that such financing were to be unavailable or withdrawn, the Group's activities would be significantly constrained.

The Group seeks through committed banking facilities to meet its working capital needs and to finance the acquisition or construction of new assets. The Group's cash position, access to liquidity and debt leverage are monitored closely by both the Executive Management Team and the Board of Directors.

Report of the Board of Directors of
Subsea 7 S.A. (the Company)
to be held at the registered office at 412F, route d'Esch, L-2086 Luxembourg.

Risks and uncertainties (continued)

Within the Company, investments in affiliated undertakings and amounts due from affiliated undertakings are reviewed periodically to assess whether there is objective evidence that the carrying value of the investment or amounts due is impaired. In making this assessment, the Company considers whether or not they are able to recover the carrying value of the asset. Evaluating whether an investment in, or amount due from, an affiliated undertaking is impaired or if impairment should be reversed requires a degree of management judgment. Estimating recoverable amounts involves complexity in estimating relevant future cash flows, based on assumptions about the future, and discounted to their present value. Long-term assumptions related to macro-economic factors are made at a Company level, and are subject to a high level of management review.

The Company had net current liabilities at the balance sheet date. The Company has access to a short-term working capital facility provided by an affiliated undertaking of the Company, which, in the opinion of the Board of Directors, provides sufficient liquidity to support the business going forward.

The Company and the Group have in place a risk management programme that seeks to limit the adverse effects of the risks and uncertainties which may affect the financial performance of the Company and the Group.

Future developments

The Group operates in seabed-to-surface engineering, construction and services. The low oil and gas price continues to depress industry activity as clients delay and cancel new projects; the timing of market recovery remains highly uncertain. Despite the difficult near to medium-term outlook, the fundamental long-term outlook for deepwater subsea field developments remains intact and industry activity is expected to recover when the oil and gas market rebalances. The Group has already implemented a number of initiatives to strengthen its position and will continue to actively adapt to industry conditions without losing its focus on long-term strategic priorities.

Subsequent events

Annual General Meeting

Reflecting challenges facing the oil and gas industry in the near to medium-term, and in order to preserve the Company's financial flexibility so that it can benefit from opportunities that may arise during the downturn, the Board of Directors will recommend to the shareholders at the Annual General Meeting that no dividend be paid in respect of 2015.

Convertible bonds

Between 6 January 2016 and 3 February 2016, the Company repurchased bonds totalling $78.0 million (nominal value) of the 2017 1.00% convertible bonds due 2017 for $71.5 million in cash.

Board of Directors

If there is a vacancy on the Board of Directors, the remaining Directors appointed by the general meeting have the right to appoint a replacement director until the next meeting of shareholders at which a proposal to ratify such appointment will be made.

The Articles of Incorporation provide that with the exception of a candidate recommended by the Board of Directors, or a director whose term of office expires at a general meeting of the Company, no candidate may be appointed unless at least three days and no more than 22 days before the date of the relevant meeting, a written proposal, signed by a shareholder duly authorised, shall have been deposited at the registered office of the Company together with a written declaration, signed by the proposed candidate, confirming his or her wish to be appointed.

Under the Company's Articles of Incorporation, Directors may be elected for terms of up to two years and serve until their successors are elected. There will be four Directors standing for re-election at the 2016 Annual General Meeting: Mr Kristian Siem, Sir Peter Mason KBE, Mr Jean Cahuzac and Mr Eystein Eriksrud whose term will expire at that meeting. The current term of the remaining Directors, Mr Dod Fraser, Mr Robert Long and Mr Allen Stevens, will expire in 2017. Under the Company's Articles of Incorporation, the Board of Directors must consist of no fewer than three Directors.

Report of the Board of Directors of Subsea 7 S.A. (the Company) to be held at the registered office at 412F, route d'Esch, L-2086 Luxembourg.

Directors' Responsibility Statement

We confirm that, to the best of our knowledge, the Annual Accounts for the year ended 31 December 2015 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. We also confirm that, to the best of our knowledge, the 2015 Annual Accounts include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties facing the Company.

By Order of the Board of Directors of Subsea 7 S.A.

Kristian Siem
Chairman
1 March 2016

Jean Cahuzac
Director - CEO

Subsea 7 S.A.

Balance Sheet
as at 31 December 2015
($'000)

Assets	Notes	2015	2014
Fixed assets			
Financial fixed assets			
Shares in affiliated undertakings	3	3,972,466	5,245,833
Shares in undertakings with which the undertaking is linked by virtue of participating interests	3	18,823	18,823
Securities and other financial instruments held as fixed Assets	3	140,943	-
Own shares or own corporate units	3	266	-
Current assets			
Amounts owed by affiliated undertakings			
Becoming due and payable within one year		3,008	-
Other receivables			
Becoming due and payable within one year		91	73
Cash at bank, cash at postal cheque accounts, cheques and cash in hand		1,074	453
Prepayments		818	1,155
Total assets		4,137,489	5,266,337

Liabilities	Notes	2015	2014
Capital and reserves			
Subscribed capital	4	654,734	664,334
Share premium and similar premiums	4	2,601,629	2,643,524
Reserves			
Legal reserve	4, 5	66,433	70,359
Reserve for own shares or own corporate units	4	266	
Profit or (Loss) brought forward	4	227,327	28,340
Profit or (Loss) for the financial year	4	(1,322,240)	195,061
		2,228,149	3,601,618
Non subordinated debts			
Convertible loans			
Becoming due and payable after more than one year	7	700,000	700,000
Amounts owed to affiliated undertakings			
Becoming due and payable within one year	8	1,080,203	569,094
Becoming due and payable after more than one year	8	127,568	393,865
Tax and social security debts			
Tax debts		10	-
Other creditors			
Becoming due and payable within one year	9	1,559	1,760
Total liabilities		4,137,489	5,266,337

The accompanying notes on pages 10 to 20 form an integral part of these Annual Accounts.

Subsea 7 S.A.

Profit and Loss Account
for the year ended 31 December 2015
($’000)

Charges	Notes	2015	2014	Income	Notes	2015	2014
Other external charges	11	1,187	1,643	Other operating income		81,364	52,939
Staff costs							
Salaries and wages		59	-				
Social security on salaries and wages		8	-				
Other operating charges		81,364	52,939				
Value adjustments and fair value adjustments on financial fixed assets	3	1,273,367		Income from financial fixed assets			
Loss on disposal of transferrable securities		192		derived from affiliated undertakings		-	231,300
Interest and other financial charges				Other interest and other financial income			
concerning affiliated undertakings		40,968	35,674	derived from affiliated undertakings		995	7,289
other interest and similar financial charges		7,450	12,082	other interest and similar financial income		-	5,877
Income tax	12	4	6				
Profit for the financial year		-	195,061	Loss for the financial year		1,322,240	-
Total charges		1,404,599	297,405	Total income		1,404,599	297,405

The accompanying notes on pages 10 to 20 form an integral part of these Annual Accounts.

Subsea 7 S.A.

Notes to the Annual Accounts
as at 31 December 2015

1. Organisation

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

The objects of the Company are inter alia to invest in affiliated undertakings which provide subsea construction, maintenance, inspection, survey and engineering services, predominantly for the offshore oil and gas industry. More generally, the Company is authorised to participate in any manner in all commercial, industrial, financial and other enterprises of Luxembourg or foreign nationality through the acquisition by participation, subscription, purchase, option or any other means of all shares, stocks, debentures, bonds or securities; the acquisition of patents and licences it will administer and exploit. The Company is authorised to lend or borrow with or without security, provided that any monies so borrowed may only be used for the purpose of the Company, or companies which are affiliated undertakings of, or associated with, or affiliated to the Company; in general it is authorised to undertake any operations directly or indirectly connected with these objects.

The Company also prepares consolidated financial statements in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union. Copies of the Annual Report and Consolidated Financial Statements are available at the registered office of the Company.

2. Significant accounting policies

The Annual Accounts were prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002 as amended, determined and applied by the Board of Directors of the Company. The Company maintains its accounting records and presents its Annual Accounts in US Dollars ($). Significant accounting policies are as follows:

2.1 Financial fixed assets

Shares in affiliated undertakings and participating interests, securities held as fixed assets and own shares are stated at cost less any fair value adjustments. Article 51 (e) of the law of 19 December 2002 states that the components of asset and liability items must be valued separately. An annual review of the carrying value is performed on an individual investment basis and any fair value adjustments are reflected in the profit and loss account in the relevant period. Earnings in investee companies are recognised when, and to the extent that, dividends are received from affiliated undertakings and participating interests.

2.2 Translation of foreign currencies

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

- formation expenses, the cost of acquisition of intangible, tangible and financial fixed assets denominated in a currency other than US Dollars are translated at historical exchange rates;

- all other assets denominated in a currency other than US Dollars are valued individually at the lower of their values translated into US Dollars at their historical exchange rate or exchange rate prevailing at the balance sheet date;

- all liabilities denominated in a currency other than US Dollars are valued individually at the higher of their values translated at historical exchange rate or exchange rate prevailing at the balance sheet date; and

- revenues and expenses denominated in a currency other than US Dollars are translated into US Dollars at the exchange rates applicable on the day on which they are collected or disbursed.

Only realised foreign exchange gains and losses, and unrealised foreign exchange losses are recognised in the profit and loss account.

2. Significant accounting policies (continued)

2.3 Share-based payments

Share-based payments for the Company are settled by its affiliated undertakings and therefore the Company does not account for these costs. Share-based payments are measured at fair value at the date on which they are granted. The fair value is determined using a Black-Scholes or Monte Carlo model. The cost of share-based payment transactions are recognised, by the Company's affiliated undertakings, over the period during which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

2.3 Convertible loans

These relate to convertible bonds and are accounted for as debt instruments. The financial costs incurred in connection with the issuance of the convertible bonds are treated as a deferred debt cost and amortised over the life of the convertible bonds and recognised in other interest and similar financial charges. If the convertible bonds are converted at the option of the holders the deferred debt cost is expensed within the profit and loss account immediately.

2.4 Parent company guarantees

The Company issues parent company guarantees (PCGs) to third parties on behalf of its direct and indirect affiliated undertakings where requested. The Company receives a fee in respect of the PCGs issued, which is recorded as other operating income within the profit and loss account. This income is recognised on a straight-line basis over the period of the guarantee. An affiliated undertaking of the Company provides management services to the Subsea 7 S.A. Group (the Group) and is remunerated for these services with a fee equivalent to the PCG income received by the Company. The Company recognises this as other operating charges within the profit and loss account.

2.5 Interest payable and receivable

Amounts owed by and owed to affiliated undertakings bear interest at commercial rates.

2.6 Amounts owed by affiliated undertakings and other receivables

Amounts owed by affiliated undertakings and other receivables are recognised initially at nominal amount. Provision for impairment is made when there is objective evidence that the Company may not be able to collect all of the amounts due. Bad debts are written off when identified.

2.7 Amounts owed to affiliated undertakings and other creditors

Amounts owed to affiliated undertakings and other creditors are stated at nominal value.

3. Financial fixed assets

($'000) Cost	Shares in affiliated undertakings	Participating interests	Securities held as fixed assets	Own shares	Total
At 1 January 2015	5,245,833	18,823	-	-	5,264,656
Acquisitions in year	-	-	140,943	52,180	193,123
Disposals in year	-	-	-	(51,914)	(51,914)
At 31 December 2015	**5,245,833**	**18,823**	**140,943**	**266**	**5,405,865**
Accumulated value adjustments					
At 1 January 2015	-	-	-	-	-
Value adjustments in year	(1,273,367)	-	-	-	(1,273,367)
At 31 December 2015	(1,273,367)	-	-	-	(1,273,367)
Net book value as at 31 December 2015	**3,972,466**	**18,823**	**140,943**	**266**	**4,132,498**

During the year a number of treasury shares (own shares) and convertible bonds (securities held as fixed assets) were repurchased. These transactions are described in notes 6 and 7.

During 2015 the Company instigated a corporate reorganisation to simplify the holding structure of its affiliated undertakings.

On 17 November 2015, the Company contributed its equity holdings in Acergy (Gibraltar) Limited to Acergy Holdings (Gibraltar) Limited, in exchange for one redeemable preference A share.

On 19 November 2015, the Company acquired the entire shareholding of Subsea 7 International Holdings (UK) Limited from Subsea 7 Treasury (UK) Limited. On the same day Acergy Holdings (Gibraltar) Limited distributed its entire shareholding in Acergy B.V. through a return of capital to the Company who subsequently contributed it to Subsea 7 International Holdings (UK) Limited for consideration of one share at a premium.

Total value adjustments for the year were $1,273 million comprising:

- In May 2015 a value adjustment of $183 million related to the Company's investment in Acergy (Gibraltar) Limited was recognised, this arose following a review of the carrying value of the investment following a reorganisation of the Group structure.

- On 19 November 2015, Acergy Holdings (Gibraltar) Limited made a distribution of its investment in Acergy B.V. to the Company, at that time the Company performed a review of the carrying value of its investment, this resulted in a value adjustment of $1,090 million being recognised.

All the assets contributed and acquired were recorded at their contribution value corresponding to their historical carrying amount in accordance with Luxembourg, Dutch, Gibraltar and United Kingdom Generally Accepted Accounting Principles.

3. Financial fixed assets (continued)

Shares in affiliated undertakings

Name of the Company	Country	Percentage held 2015	Percentage held 2014	Carrying value ($'000) 2015	Carrying value ($'000) 2014
Acergy Holdings (Gibraltar) Limited	Gibraltar	100%	100%	3,450,948	3,855,887
Acergy (Gibraltar) Limited	Gibraltar	-	100%	-	1,389,946
Subsea 7 International Holdings (UK) Limited	United Kingdom	100%	-	521,518	-
				3,972,466	5,245,833

Participating interests

Name of the Company	Country	Percentage held 2015	Percentage held 2014	Carrying value ($'000) 2015	Carrying value ($'000) 2014
Subsea 7 Shipping Limited	Isle of Man	<1%	<1%	18,823	18,823

Securities held as fixed assets

Convertible bonds	Country	Percentage held 2015	Percentage held 2014	Cost ($'000) 2015	Cost ($'000) 2014
$700 million 1.00% convertible bonds due 2017	Luxembourg	22%	-	140,943	-

Own shares

Shares	Country	Percentage held 2015	Percentage held 2014	Cost ($'000) 2015	Cost ($'000) 2014
Treasury shares	Luxembourg	<1%	-	266	-

Undertakings in which the Company holds at least 20% of their share capital:

Name of the Company	Ownership	Last balance sheet date	Net equity at the balance sheet date of the company concerned (unaudited) $'000	(Loss)/Profit for the last financial year (unaudited) $'000
Acergy Holdings (Gibraltar) Limited	100%	31/12/2015	2,941,094	(2,367,614)
Subsea 7 International Holdings (UK) Limited	100%	31/12/2015	521,518	1

4. Capital and reserves

($'000)	Subscribed capital	Share premium and similar premiums	Legal reserve	Reserve for own shares	Profit or (loss) brought forward	Profit or (loss) for the financial year	Total
Balance at 1 January 2015	664,334	2,643,524	70,359	-	28,340	195,061	3,601,618
Allocation of the result	-	-	-	-	195,061	(195,061)	-
Release of legal reserve	-	-	(3,926)	-	3,926	-	-
Cancellation/purchase of treasury shares	(9,600)	(41,895)	-	266	-	-	(51,229)
Loss for the financial year	-	-	-	-	-	(1,322,240)	(1,322,240)
Balance at 31 December 2015	**654,734**	**2,601,629**	**66,433**	**266**	**227,327**	**(1,322,240)**	**2,228,149**

As at 31 December 2015, the authorised share capital comprised 450,000,000 $2.00 common shares (2014: 430,373,336 $2.00 common shares). The subscribed capital comprised 327,367,111 $2.00 common shares (2014: 332,167,067 $2.00 common shares).

5. Legal reserve

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

Following the reduction in subscribed capital in 2014, the AGM on 17 April 2015 approved the reduction of the legal reserve by an amount of $3,926,000

6. Own shares (treasury shares)

	Number of shares	($'000)
Balance at 1 January 2015	-	-
Shares repurchased	11,000	111
Shares acquired from a wholly owned, indirect affiliated undertaking	4,808,956	51,331
Shares acquired from employee benefit trusts	88,000	738
Shares cancelled	(4,799,956)	(51,229)
Shares reissued relating to share-based payments	(76,317)	(685)
Balance at 31 December 2015	**31,683**	**266**

At 31 December 2015, the Company directly held 31,683 treasury shares (2014: nil) representing 0.01% (2014: nil) of the total number of issued shares.

6. Own shares (treasury shares) (continued)

Shares repurchased

On 31 July 2014, the Group announced a share repurchase programme of up to $200 million. The programme was approved pursuant to the standing authorisation granted to the Board of Directors at the Annual General Meeting held on 27 May 2011, which allows for the purchase of up to a maximum of 10% of the Group's issued share capital, net of purchases already made.

At the 2014 EGM, the Board of Directors was authorised inter alia to cancel any shares repurchased until 26 May 2020 and to reduce the issued share capital through such cancellations.

On 27 April 2015 the Company repurchased 11,000 common shares for a consideration of $0.1 million. This repurchase was made in the open market on the Oslo Børs, pursuant to certain conditions, and in conformity with Article 49-2 of the Luxembourg Company Law and the EU Commission Regulation 2273/2003 on exemptions for repurchase programmes and stabilisation of financial instruments. The repurchased shares were held as treasury shares.

Shares acquired from a wholly-owned, indirect affiliated undertaking

On 30 April 2015, the Company purchased 4,808,956 treasury shares for a consideration of $51.3 million from Subsea 7 Investing (Bermuda) Limited, a wholly-owned indirect affiliated undertaking.

Shares cancelled

On 30 September 2015, in accordance with the delegation of authority given to the Board at the 2014 EGM, 4,799,956 shares held in treasury were cancelled, representing approximately 1.4% of the number of issued common shares. As a result, the subscribed share capital of the Company was reduced by $9,599,912.

Subsequent to the cancellation on 30 September 2015, the Board of Directors is authorised to cancel up to a further 28,416,750 repurchased common shares. This authority will lapse on 26 May 2020.

Shares acquired from employee benefit trusts

On 19 October 2015, in order to satisfy share options exercised under the Group's 2003 stock option plan (2003 Plan), the Company acquired 3,000 shares from an employee benefit trust for a consideration of $24,000.

On 19 November 2015, in order to satisfy share options exercised under the Group's 2003 Plan, the Company acquired 85,000 shares from an employee benefit trust which exists to support the 2009 Long-term Incentive Plan, for a consideration of $0.7 million.

Shares reissued relating to share-based payments

During the year 76,317 treasury shares were used to satisfy options exercised under the 2003 Plan.

7. Convertible loans

$700 million 1.00% convertible bonds due 2017 (2017 Bonds)

On 5 October 2012, the Group issued $700.0 million in aggregate principal amount of 1.00% convertible bonds due 2017. The issuance was completed on 5 October 2012 with the receipt of net proceeds after deduction of issuance related costs of $697.9 million.

The 2017 Bonds have an annual interest rate of 1.00% payable semi-annually in arrears on 5 April and 5 October of each year up to and including 2017. They were issued at 100% of their principal amount and unless previously redeemed, converted or cancelled will mature on 5 October 2017 at 100% of their principal amount.

The bondholders were granted an option which allowed them to convert the convertible bonds into common shares with an initial conversion price of $30.10 per share at the date of issue, equivalent to 23,255,814 common shares or approximately 7.0% of the Company's issued share capital (excluding treasury shares held).

7. Convertible loans (continued)

At 31 December 2015, $548.2 million (2014: $700.0 million) at par value of the 2017 Bonds, excluding those bonds held by the Company, were outstanding with a conversion price at that date of $28.39 (2014: $28.39) per share, adjusted for the payment of dividends since issuance. This was equivalent to 19,309,616 (2014: 24,656,469) common shares, or 5.9% (2014: 7.6%) of the Group's issued share capital (excluding treasury shares held). The conversion price will continue to be adjusted in line with the 2017 Bonds' terms and conditions.

The following is a summary of certain other terms and conditions that apply to the 2017 Bonds:

- the 2017 Bonds are unsecured but contain a negative pledge provision which restricts encumbrances or security interests on current and future property or assets to ensure that the convertible bonds will rank equally with other publicly quoted or listed debt instruments
- a cross default provision subject to a minimum threshold of $25.0 million and other events of default in connection with non-payment of the 2017 Bonds
- various undertakings in connection with the term of any further issuance of common shares and continuance of the listing of the shares
- provisions for the adjustment of the conversion price in certain circumstances.

Bond repurchases

During 2015 the Company repurchased $70.0 million (nominal value) of the 2017 Bonds for $64.7 million in cash. In addition the Company purchased $81.8 million (nominal value) of the 2017 Bonds from Subsea 7 Investing (Bermuda) Limited for an amount of $76.2 million. At 31 December 2015 the Company held $151.8 million (nominal value) of the 2017 bonds. These have not been cancelled and continue to be held by the Company and are available for re-issue at a future date.

8. Amounts owed to affiliated undertakings

Becoming due and payable within one year

($'000)	2015	2014
Amounts owed to affiliated undertakings	1,080,203	569,094

Amounts owed to affiliated undertakings are mainly related to amounts due to Subsea 7 Treasury (UK) Limited under a short-term working capital facility as described in the Report of the Board of Directors.

Becoming due and payable after more than one year

($'000)	2015	2014
Amounts owed to affiliated undertakings	127,568	393,865

9. Other creditors

Becoming due and payable within one year

($'000)	2015	2014
Other creditors	1,559	1,760

10. Commitments and guarantees

The Company arranges bank guarantees, which collectively refer to bank guarantees, performance bonds, tendering bonds, advance payment bonds, guarantees or standby letters of credit in respect of the performance obligations certain of its affiliated undertakings have towards their clients.

Facilities

The following facilities, entered into by affiliated undertakings, were guaranteed by the Company as at 31 December 2015:

The multi-currency revolving credit and guarantee facility

The Group entered into a $500 million multi-currency revolving credit and guarantee facility on 3 September 2014. This facility is syndicated with several banks and is available for the issuance of guarantees, up to a limit of $200 million, a combination of guarantees and cash drawings, or is available in full for cash drawings. The facility was unutilised at 31 December 2015 and matures on 3 September 2019. The facility is guaranteed by the Company and Subsea 7 Finance (UK) PLC (formerly Subsea 7 Finance (UK) Limited).

The $357 million senior secured facility

In July 2015 the Group entered into a $357 million senior term loan facility secured on two vessels under construction. The facility is provided 90% by an Export Credit Agency and 10% by two banks and is available for general corporate purposes. The Export Credit Agency tranche has a twelve year maturity and a twelve year amortising profile; the bank tranche has a five year maturity and a fifteen year amortising profile, in all cases from delivery of the vessels. If the bank tranche is not refinanced satisfactorily after five years then the Export Credit Agency tranche also becomes due. As at 31 December 2015 the facility remained unutilised. The facility may be drawn pre-delivery of the vessels; upon delivery, if unutilised, the facility will terminate. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC (formerly Subsea 7 Finance (UK) Limited).

Other facilities

In addition to the above there are a number of uncommitted, unsecured bi-lateral guarantee arrangements in place in order to provide specific geographical coverage. The total utilisation of these facilities as at 31 December 2015 was $476.1 million (2014: $619.0 million).

Guarantee arrangements with joint ventures

Normand Oceanic AS is a joint venture between Solstad Offshore ASA and the Group. Normand Oceanic AS is the vessel owning entity for *Normand Oceanic* and has a $152.3 million loan facility which it used to part finance the purchase of the vessel. The loan has a termination date of 20 July 2017 with an outstanding balance at 31 December 2015 of $119.3 million (2014: $129.4 million). Normand Oceanic AS also entered into an interest rate swap, maturing on 19 July 2017, swapping a floating rate based on LIBOR to a fixed rate of 0.85% per annum. Both Solstad Offshore ASA and the Company have provided guarantees to the banking syndicate each guaranteeing 50% of the payment obligations and liabilities under the loan and hedging agreements.

SapuraAcergy is the collective term for the Group’s investments in its joint ventures SapuraAcergy Assets Pte Limited and SapuraAcergy Sdn. Bhd. The joint venture partner for both joint ventures is Nautical Essence Sdn. Bhd. which is wholly-owned by SapuraKencana Petroleum Berhad.

At 31 December 2015, SapuraAcergy Sdn. Bhd. had an $82.8 million facility in place (2014: $157.0 million multi-currency facility). Both the Group and SapuraKencana Petroleum Berhad had issued guarantees for 50% of the financing respectively. The facility consisted of $40.0 million available for the issuance of the principal bank guarantees and $30.0 million available for letters of credit, a revolving credit facility totalling $5.5 million and a $7.3 million Foreign Exchange Facility. At 31 December 2015, the amount drawn under the principal bank guarantee was $35.4 million (2014: $96.0 million); all other facilities noted were undrawn (2014: $nil).

11. Other external charges

($'000)	2015	2014
Administrative expenses	1,144	1,610
Statutory audit fees	43	33
	1,187	1,643

12. Income tax

($'000)	2015	2014
Income tax charge for the year	4	6

For the 12 month period ended 31 December 2015 the Company was fully taxable at an effective rate of 29.22% (2014: 29.22%). The profit or loss recorded in those years, for tax purposes, resulted in only the minimum corporate income tax liability being incurred.

No deferred tax asset has been recognised in respect of the tax losses incurred to date as it is not anticipated that the Company will be able to utilise those losses.

At 1 January 2015 and 1 January 2014 the unitary value of the Company was negative therefore only the minimum Net Wealth tax of Euro 62.50 is payable in respect of each year.

13. Share-based payments

Share-based payments for the Company are settled by its affiliated undertakings and therefore the Company does not account for these costs. The most significant share-based schemes operated by the Group are:

2009 Long-term Incentive Plan

The 2009 Long-term Incentive Plan (2009 LTIP) was approved by the Company's shareholders at the Extraordinary General Meeting on 17 December 2009. The 2009 LTIP had a five-year term but was replaced with the 2013 LTIP during 2013.

The 2009 LTIP provided share awards, which are earned after three years, based on certain performance conditions, and vest after at least three years.

Performance conditions are based on relative Total Shareholder Return (TSR) against a specified comparator group of companies and are determined over a three-year period. The Group will have to deliver TSR above the median for any awards to vest. At the median level 30% of the maximum award will vest. If the actual ranked TSR position of the Group during the three-year period, as converted to a percentage, is equal to or greater than 50% and below 90%, the vesting of the share award between 30% and 100% is determined by linear interpolation. The maximum award would only vest if the Group achieved top decile TSR ranking.

Approximately 120 senior managers and key employees participate in the 2009 LTIP. Grants were determined by the Compensation Committee, which is responsible for operating and administering the plan.

2013 Long-term Incentive Plan

The 2013 Long-term Incentive Plan (2013 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 28 June 2013. The 2013 LTIP has a five-year term with awards being made annually and replaces the 2009 LTIP. The aggregate number of shares which may be granted in any calendar year is limited to 0.5% of issued and outstanding share capital on 1 January of each such calendar year. Grants are determined by the Compensation Committee of the Company's Board of Directors, which is responsible for operating and administering the plan.

The 2013 LTIP is an essential component of the Group reward strategy, and was designed to align the interests of participants with those of the Company's shareholders, and enables participants to share in the success of the Group. The 2013 LTIP provides for share awards, which are earned after three years, based on certain performance conditions, and vest after at least three years.

13. Share-based payments
2013 Long-term Incentive Plan (continued)

Performance conditions are based on two measures: relative TSR against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions are determined over a three-year period.

During 2015, awards of 1,273,500 (2014: 1,631,500) shares were made under the terms of the 2013 LTIP; 827,775 (2014: 1,060,475) shares are subject to relative TSR performance measures and 445,725 (2014: 571,025) are subject to ROAIC performance measures.

TSR based awards
The Group will have to deliver a TSR ranking above the median for any awards to vest. If the ranked TSR position of the Group during the three-year period, as converted to a percentage, is equal to 50%, 20% of the share award will vest. If the actual ranked TSR position of the Group is greater than 50% and below 90%, the vesting of the share award between 20% and 65% is determined by linear interpolation. The maximum award of 65% would only vest if the Group achieved top decile TSR ranking.

ROAIC based awards
ROAIC will be calculated for each of the three years of the performance period on a quarterly basis. If the average ROAIC achieved by the Group during the performance period is greater than 9% but less than 11%, vesting between 5% and 15% shall be determined by linear interpolation. If the actual ROAIC achieved by the Group during the performance period is greater than 11% but less than 14%, vesting between 15% and 35% shall be determined by linear interpolation. The maximum award of 35% would only vest if the Group achieved average ROAIC of 14% or greater.

Under the terms of the award plan participants are not entitled to receive dividend equivalent payments.

ROAIC based awards (continued)
Approximately 120 senior managers and key employees participate in the 2013 LTIP. Individual award caps are in place such that no senior executive or other employee may be granted shares under the 2013 LTIP in a single calendar year that have an aggregate fair market value in excess of 150%, in the case of senior executives, or 100%, in the case of other employees, of their annual base salary at the date of the award. Additionally, a holding requirement for senior executives applies where senior executives must hold 50% of all awards that vest until they have built up a shareholding with a fair value of 150% of their annual base salary which must be maintained throughout their tenure.

2003 Plan

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

Options under the 2003 Plan (and therefore also under the French Plan) are exercisable for periods of up to ten years, at an exercise price not less than the fair market value per share at the time the option is granted. All such options had vested prior to 31 December 2015. Share option exercises are satisfied by reissuing treasury shares. Furthermore, options are generally forfeited if the option holder leaves the Group under any circumstances other than due to the option holder's death, disability or retirement before his or her options are exercised.

No further share options will be granted under the 2003 Plan or the French Plan.

14. Staff

The average full-time equivalent number of employees of the Company for the year ended 31 December 2015 was 0.4 (2014: Nil).

15. Related party transactions

The Company has taken advantage of the exemption under the law of 19 December 2002, Article 65 which does not require the disclosure of transactions with wholly-owned members of the Group.

The Company is an associate of Siem Industries Inc. and is equity accounted for within Siem Industries Inc.'s consolidated annual financial statements. Payments were made to Siem Industries Inc. in relation to the services provided by Mr Siem and other services totalling $200,000 (2014: $250,000).

16. Board of Directors' expenses

Fees paid to Directors for the year ended 31 December 2015 amounted to $571,000 (2014: $571,000).

17. Subsequent events

Annual General Meeting
Reflecting challenges facing the oil and gas industry in the near to medium-term, and in order to preserve the Group's financial flexibility so that it can benefit from opportunities that may arise during the downturn, the Board of Directors will recommend to the shareholders at the Annual General Meeting that no dividend be paid in respect of 2015.

Convertible bonds
Between 6 January 2016 and 3 February 2016, the Group repurchased bonds totalling $78.0 million (nominal value) of the 2017 1.00% convertible bonds due 2017 for $71.5 million.