

Subsea 7 S.A. Announces Fourth Quarter and Full Year 2014 Results

Luxembourg – 4 March 2015 – Subsea 7 S.A. (the Group) (Oslo Børs: SUBC) announced today results for the fourth quarter and the full year which ended on 31 December 2014. Unless otherwise stated, the comparative period is the full year which ended 31 December 2013. The Group's reporting segments are set out in Note 6 'Segment information'.

	Fourth Quarter		Full Year	
	Q4 2014 Unaudited	Q4 2013 Unaudited Re-presented ^(a)	2014 ^(d)	2013 ^(d) Re-presented ^(a)
For the period (in \$ millions, except Adjusted EBITDA margin and per share data)				
Revenue	1,395	1,586	6,870	6,297
Adjusted EBITDA ^(b) (unaudited)	297	242	1,439	981
Adjusted EBITDA margin ^(b) (unaudited)	21%	15%	21%	16%
Net operating income excluding goodwill impairment charge	101	112	930	568
Goodwill impairment charge	(1,183)	–	(1,183)	–
Net operating (loss)/income	(1,082)	112	(254)	568
Net income excluding goodwill impairment charge	206	74	802	344
Net (loss)/income	(977)	74	(381)	344
Earnings per share – in \$ per share ^(c)				
Basic	(2.95)	0.25	(1.02)	1.05
Diluted	(2.95)	0.23	(1.02)	1.00
Adjusted diluted	0.61	0.23	2.32	1.00
As at (in \$ millions)				
Backlog (unaudited)			8,235	11,770
Cash and cash equivalents			573	692
Borrowings			578	917

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 12 'Assets classified as held for sale' to the Condensed Consolidated Financial Statements.

(b) For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin please refer to Note 8 to the Condensed Consolidated Financial Statements.

(c) For explanation and a reconciliation of diluted and Adjusted diluted earnings per share please refer to Note 7 'Earnings per share' to the Condensed Consolidated Financial Statements.

(d) Audited unless otherwise stated.

Jean Cahuzac, Chief Executive Officer, said:

Full year 2014

'Our strong overall performance in 2014 was achieved against a backdrop of a progressive deterioration in business conditions and the environment for our industry continues to be challenging. We achieved strong underlying financial results in 2014 with record revenue and Adjusted EBITDA driven by high levels of project activity across all four Territories and vessel utilisation of 82%. Our operational performance reflected, overall, good project execution delivered by our experienced teams both onshore and offshore.

Revenue for the full year 2014 was \$6.9 billion, 9% higher than in 2013. Adjusted EBITDA of \$1,439 million reflected positive contributions from all four Territories and included a \$100 million reduction in the full-life project loss on the Guar -Lula NE project in Brazil.

The Group's reported net loss for the year of \$381 million included a non-recurring, non-cash charge of \$1,183 million related to an impairment of goodwill recognised in the fourth quarter following a downward revision of forecast activity levels, driven by challenging market conditions. Excluding the goodwill impairment charge, net income was \$802 million.

Adjusted diluted earnings per share of \$2.32 was helped by a reduced diluted share count as we repurchased shares and redeemed and repurchased convertible bonds during the year.

Subsea 7 is positioned competitively for new market awards and reported 2014 order intake of \$3.3 billion. This comprised \$2.1 billion of new awards, including the Catcher development in the North Sea for Premier Oil, and \$1.6 billion of escalations, partly offset by a \$0.4 billion adverse foreign exchange impact. Market awards for large SURF contracts slowed in the latter half of the year as a number of potential projects were delayed. As a result our backlog decreased to \$8.2 billion at the end of 2014, of which \$4.1 billion is expected to be executed in 2015.

We finished the year with net debt of \$6 million, down by \$220 million from the prior year as a result of strong net cash generation from operating activities, which included a \$268 million decrease in net operating assets.

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 not recommend a dividend in respect of 2014 to the shareholders at the Annual General Meeting.

Fourth quarter 2014

The Group's revenue in the fourth quarter of 2014 was \$1.4 billion and Adjusted EBITDA was \$297 million, driven by good progress on major projects and a \$16 million reduction in the full-life project loss on the Guar -Lula NE project. Net operating loss of \$1,082 million reflected the goodwill impairment charge of \$1,183 million and an \$89 million impairment charge, mainly associated with *Seven Polaris* and mobile equipment. Excluding the goodwill impairment charge, all four Territories were profitable in the quarter, with margin growth in Brazil, NSC and APME offsetting margin declines in AFGOM.

The challenging industry environment for new awards intensified in the fourth quarter as the price of oil continued to fall. This impacted the already cost sensitive final investment decision on some major projects causing further delays to market awards. New awards and escalations in the quarter totalled \$0.6 billion. This was partly offset by an adverse \$0.4 billion foreign exchange impact due to the strengthening of the US dollar. Significant project awards included an installation project for Shell and the Stampede project for Hess, both located in the US Gulf of Mexico.

Operational highlights for the fourth quarter 2014

Good execution on various large and technology-rich projects worldwide drove a strong operational performance.

In AFGOM significant progress was made on the OFON 2 and the Erha North projects offshore Nigeria and the Line 67 project offshore Mexico. The CLOV project, offshore Angola, was successfully completed.

Within the NSC Territory, a number of projects were substantially completed in the UK and there was significant progress on the Knarr project in Norway. Life of Field activity was sustained under the Shell, BP and Statoil multi-year frame agreements.

In Brazil the offshore phase of the Guar-Lula NE project was successfully executed with all 27 risers installed by the year end leaving some low-risk pre-commissioning work to be completed early in 2015. Pipelay Support Vessels (PLSVs) under long-term contract with Petrobras achieved high utilisation.

In APME there was continued good progress on the Gorgon Heavy Lift and Tie-ins project, offshore Australia. Activity for our SapuraAcergy joint venture remained low compared to the elevated levels reported in 2013.

Outlook

The level of tendering activity for new SURF awards remains subdued as oil companies continue to delay final investment decisions and although there are potential projects expected to be awarded to the market in 2015, the timing remains highly uncertain.

Notwithstanding this, we are competitively positioned to win new awards and we have a solid backlog for execution in 2015, a robust PLSV business in Brazil and long-term Life of Field projects that extend into 2016 and beyond. This backlog underpins our revenue in 2015, which is expected to be significantly lower than the record revenue reported in 2014.

We took steps in early 2014 to prepare the Group for the downturn, implementing cost reduction programmes and other efficiency improvements. This focus will continue in 2015 as we further reduce the size of our cost base to align the business more closely with market conditions. Nevertheless we expect Adjusted EBITDA margin to decrease in 2015 as a consequence of lower activity levels and pricing pressure.

Despite the near-term challenges the fundamental long-term outlook for deepwater subsea field developments remains intact and Subsea 7 is well positioned to benefit from future improvements in the market.

It is our expertise and experience that make us a top tier service provider and we will protect our core strengths to remain differentiated and support excellent execution.'

Conference Call Details**Conference Call Information**

Lines will open 15 minutes prior to conference call.

Date: 4 March 2015

Time: 12:00 UK Time

Conference ID: 53685020#

Conference Dial In Numbers

United Kingdom	0203 139 4830
United States	718 873 9077
Norway	2 350 0559
International Dial In	+44 203 139 4830

Replay Facility Details

A replay facility (with conference ID 654378#) will be available from:

Date: 4 March 2015

Time: 17:00 UK Time

Conference Replay Dial In Numbers

International Dial In	+44 203 426 2807
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For further information, please contact:

Isabel Green
Investor Relations Director

email: isabel.green@subsea7.com

Telephone: +44 (0) 208 210 5568

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', 'could', 'estimate', 'expect', 'forecast', 'intend', 'may', 'might', 'plan', 'predict', 'project', 'scheduled', 'seek', 'should', 'will', and similar expressions. The forward-looking statements reflect our current views and are subject to risks, uncertainties and assumptions. The principal risks and uncertainties which could impact the Group and the factors which could affect the actual results are described but not limited to those in the 'Risk Management' section in the Group's Annual Report and Consolidated Financial Statements 2013. The Executive Management Team has considered the nature of these principal risks and uncertainties and concluded that these have not changed significantly in the year ended 31 December 2014. These factors, and others which are discussed in our public announcements, 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 vessels on order and the timely completion of vessel 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. Other unknown or unpredictable factors could also have material adverse effects on our future results. Given these factors, you should not place undue reliance on the forward-looking statements.

Management Report: Financial Review

Where appropriate certain comparatives have been re-presented to reflect the declassification of the Group's interest in Sonamet and Sonacergy from assets held for sale as set out in Note 12 'Assets classified as held for sale'. The impact of this re-presentation was to reduce 2013 net income by \$5.7 million and to reduce total equity at 31 December 2013 by \$41.1 million.

Fourth Quarter 2014

Revenue

Revenue for the quarter was \$1.4 billion, a decrease of \$191 million compared with Q4 2013. The decrease reflected lower activity levels across AFGOM and NSC, partially offset by increased activity in APME and Brazil.

Adjusted EBITDA

Adjusted EBITDA for the quarter was \$297 million, an increase of \$55 million compared to Q4 2013. Adjusted EBITDA margin was 21%, compared with 15% in Q4 2013.

Net operating loss

Net operating loss was \$1,082 million which included a goodwill impairment charge of \$1,183 million. The goodwill impairment charge arose as a result of the Group's annual review of the carrying value of goodwill in each of its four Territories. This non-recurring, non-cash charge, which had no tax impact, affected the AFGOM, Brazil and NSC Territories following a downward revision of forecast activity levels, driven by challenging market conditions, and changes to assumptions relating to growth and discount rates.

Excluding the goodwill impairment charge, net operating income was \$101 million compared with \$112 million in Q4 2013. Impairments to property, plant and equipment totalling \$89 million were recognised in the quarter mainly related to *Seven Polaris* and mobile equipment, compared with \$36 million impairments recognised in Q4 2013. In addition, a reduction in the full-life project loss of \$16 million on the Guar -Lula NE project was recognised in the quarter, compared to \$49 million of losses recognised in Q4 2013.

Net loss

A net loss of \$977 million was recognised in the quarter, compared to net income of \$74 million in Q4 2013. The net loss was primarily due to:

- the goodwill impairment charge recognised of \$1,183 million.

This was partially offset by:

- a \$65 million tax credit recognised in the quarter compared to a tax charge of \$42 million in Q4 2013;
- foreign currency gains of \$41 million in Q4 2014, recognised within other gains and losses, compared with foreign currency gains of \$14 million in Q4 2013; and
- finance costs of \$1 million in Q4 2014 compared to \$13 million in Q4 2013. The reduction in finance costs was mainly as a result of the absence of interest charges related to the \$275 million 3.5% convertible bonds, which matured in October 2014, and increased capitalised interest associated with the vessels under construction.

The tax credit of \$65 million in the quarter was primarily due to a reduction in the full-year effective tax rate compared with the forecast rate at Q3 2014 and benefited from certain discrete items following resolution of certain matters with the relevant tax authorities and revised future potential exposures.

Earnings per share

Diluted loss per share was \$2.95 in the quarter compared to diluted earnings per share of \$0.23 in Q4 2013, based on a weighted average number of shares of 328 million and 378 million respectively. Adjusted diluted earnings per share, which excludes the impact of the goodwill impairment charge, was \$0.61 compared to Adjusted diluted earnings per share of \$0.23 in Q4 2013.

Year ended 31 December 2014

Revenue

Revenue for 2014 was \$6.9 billion, an increase of \$573m or 9% compared to 2013. The increase in revenue was primarily driven by increased activity levels in the APME and Brazil Territories.

Adjusted EBITDA

Adjusted EBITDA was \$1.4 billion in 2014, an increase of \$458 million or 47% compared to 2013. The Adjusted EBITDA margin was 21% compared to 16% in 2013 with the increase in margin largely attributable to an approximately \$100 million reduction in the full-life project loss on the Guar -Lula NE project compared with an additional full-life project loss provision of \$355 million recognised in 2013. Excluding the impact of the goodwill impairment charge, margins improved in Brazil, reflecting improved contractual terms for the vessels on long-term contracts with Petrobras and the improved financial performance on the Guar -Lula NE project. NSC's net operating margin, excluding the impact of the goodwill impairment charge, improved to 17% from 16% in 2013 due to good operational execution on projects and high levels of vessel activity. In AFGOM, significant progress was made on several large projects but the Territory's net operating margin, excluding the impact of the goodwill impairment charge, was 12%, compared with 16% in 2013, and was adversely impacted by increased costs incurred in relation to operational issues on the L60 and L67 projects in the Mexican sector of the Gulf of Mexico. In APME net operating margin decreased to 10% from 17% in part due to the completion in 2013 of the Gumusut-Kakap project by the SapuraAcergy joint venture and in part due to the Gorgon HLT project in Australia which generated significant revenue in 2014 at limited margin as commercial negotiations continued with the client.

Net operating loss

Net operating loss in 2014 was \$254 million compared with net operating income of \$568 million in 2013. The reduction of \$822 million was mainly due to the non-recurring, non-cash, goodwill impairment charge of \$1,183 million which had no tax impact. Excluding the impact of the goodwill impairment charge, net operating income of \$930 million increased by \$362 million or 64% which was largely due to:

- higher activity levels across all Territories; and
- a \$100 million reduction in full-life project loss recognised on the Guar -Lula NE project, compared to a \$355 million full-life loss provision recognised in 2013

partially offset by:

- a decrease of \$58 million in the Group's share of net income of associates and joint ventures to \$69 million (2013: \$127 million). The decrease was primarily attributable to lower contributions from Seaway Heavy Lifting and SapuraAcergy, due to significantly lower levels of activity in both joint ventures during 2014;
- an increase in administrative expenses of \$19 million due to the release in 2013 of \$21 million of provisions associated with the 2011 business combination; and
- impairment charges related to property, plant and equipment totalling \$89 million mainly in relation to *Seven Polaris* and mobile equipment where the future recoverable amounts were reassessed and reduced. This compared to vessel and equipment impairment charges of \$37 million in 2013 mainly related to *Seven Polaris*.

Net loss

A net loss of \$381 million was incurred in 2014 compared to net income of \$344 million in 2013. The net loss was due to the recognition of the \$1,183 million goodwill impairment charge.

Excluding the impact of the goodwill impairment charge, the underlying net income in 2014 increased by \$458 million to \$802 million compared to 2013 and was mainly driven by:

- the increase in net operating income;
- a reduction in finance costs of \$52 million as a result of the absence of interest costs on the \$500 million 2.25% convertible notes which matured in October 2013, a reduction in interest costs on the \$275 million 3.5% convertible bonds which matured in October 2014 and increased capitalised interest on vessels under construction; and
- net gains within other gains and losses of \$24 million compared with a net loss of \$14 million in 2013 as a result of foreign currency exchange gains of \$24 million in 2014 (2013: \$27 million loss), partially offset by a loss on disposal of property, plant and equipment of \$1 million (2013: \$12 million gain).

The effective tax rate for the year, excluding the effects of the goodwill impairment charge, was 16%, which reflected the benefit of certain discrete items. In the year, the Group recognised a net tax decrease in respect of its tax provisions of \$34 million (2013: \$33 million) following resolution of certain matters with the relevant tax authorities and revised future potential exposures.

Earnings per share

Loss per share for the year was \$1.02 (diluted: \$1.02 loss) compared to earnings per share of \$1.05 (diluted: \$1.00) in 2013. Adjusted diluted earnings per share, which excludes the impact of the \$1,183 million goodwill impairment charge, was \$2.32 (2013: \$1.00).

Cash and cash equivalents

Cash and cash equivalents decreased from \$692 million to \$573 million during 2014. The movement in cash and cash equivalents was mainly attributable to:

- cash generated from operating activities of \$1.4 billion

offset by:

- expenditure on property, plant and equipment of \$861 million, mainly related to the Group's new-build vessel programme;
- the repurchase of \$79 million, at par value, and the redemption at maturity of \$182 million, at par value, of the \$275 million 3.5% convertible bonds due 2014, for a total disbursement of \$261 million;
- the repurchase of \$82 million (par value) of the \$700 million 1.0% convertible bonds due 2017, for \$76 million in cash;
- the repurchase of shares under the Group's share repurchase programmes totalling \$166 million; and
- the payment of dividends amounting to \$195 million.

Borrowings

Borrowings decreased by \$339 million to \$578 million during 2014. The reduction was largely due to the maturing of the \$275 million 2014 3.5% convertible bonds, of which \$261 million were repaid in cash and \$14 million converted to shares, and the early repurchase of \$82 million (par value) of the \$700 million 1.0% convertible bonds due to mature in 2017 for \$76 million, repaid in cash.

Territory highlights

Fourth Quarter 2014

Africa, Gulf of Mexico & Mediterranean (AFGOM)

Revenue was \$511 million, a decrease of \$162 million compared to Q4 2013. During the quarter the CLOV project, offshore Angola was completed and the Cardona project, in the US sector of the Gulf of Mexico was substantially completed. There was significant progress on the Lianzi SURF and Lianzi Topside projects, offshore Angola; the OFON 2 and Erha North projects, offshore Nigeria; the T.E.N. project, offshore Ghana; the Heidelberg project in the US sector of the Gulf of Mexico and the Line 67 project, in the Mexican sector of the Gulf of Mexico. Net operating income, excluding the goodwill impairment charge, was \$64 million compared to \$92 million in Q4 2013. The decrease in net operating income mainly resulted from a \$9 million impairment of equipment in Angola and lower vessel utilisation during the quarter compared with Q4 2013.

Asia Pacific & Middle East (APME)

Revenue was \$217 million, an increase of \$57 million compared to Q4 2013. There was significant progress on the Gorgon Heavy Lift and Tie-ins and Bayu Undan projects, offshore Australia and the G1 project, offshore India was substantially completed. Net operating income was \$22 million, compared to \$9 million in Q4 2013. The Gorgon Heavy Lift and Tie-ins project continued to contribute significant revenue with limited margin recognition as commercial negotiations continued with the client.

Brazil (BRAZIL)

Revenue for the quarter was \$209 million, which was an increase of \$3 million compared to Q4 2013. The offshore phase of the Guar-Lula NE project was substantially completed during the quarter and there were high levels of vessel activity under the long-term PLSV contracts with Petrobras. Net operating income, excluding the goodwill impairment charge, was \$35 million (Q4 2013: net operating loss of \$13 million). The increase in net operating income was mainly due to a reduction in the Guar-Lula NE full-life project loss of \$16 million reflecting a further de-risking of the project due to substantial completion of the offshore campaign, compared to a \$49m increase in the full-life project loss provision in Q4 2013. Net operating income was adversely impacted by planned vessel dry-docking and maintenance during the quarter.

North Sea & Canada (NSC)

Revenue was \$459 million compared to \$544 million in Q4 2013. During the quarter, the Forties Charlie SSIV, Laggan Tormore and Monan projects, offshore UK, were substantially completed. Work progressed during the quarter on the Knarr, Martin Linge, Aasta Hansteen and Mariner projects, offshore Norway, and on the Catcher, Western Isles, Enochdhu and Montrose projects, offshore UK. Activity under Life of Field frame agreements continued during the quarter. Net operating income, excluding the goodwill impairment charge, was \$85 million, an increase of \$22 million compared to Q4 2013. The increase in net operating income was mainly due to the successful commercial close-out on various projects during the quarter, offset by the impact of lower vessel utilisation compared with Q4 2013.

Corporate (CORP)

Net operating loss was \$105 million (Q4 2013: \$39 million loss). In the quarter impairments totalling \$80 million (Q4 2013: \$29 million) were recognised relating to *Seven Polaris* and mobile equipment where the future recoverable amounts were assessed and reduced. In addition, there was a reduction in the contribution from the Seaway Heavy Lifting joint venture due to expected low activity levels in the quarter.

Year ended 31 December 2014

Africa, Gulf of Mexico & Mediterranean (AFGOM)

Revenue was \$2.5 billion which was in line with 2013. During the year the CLOV and Block 31 PSVM projects, offshore Angola, were completed. The Block 31 GES project, offshore Angola, the OCIP Phase 2 project, offshore Nigeria, the Cardona and Tubular Bells projects, in the US sector of the Gulf of Mexico, and the Line 60 project, in the Mexican sector of the Gulf of Mexico, were substantially completed.

There was progress on the Lianzi SURF and Lianzi Topside projects, offshore Angola, the OFON 2 and Erha North projects, offshore Nigeria, the T.E.N. project, offshore Ghana; the Heidelberg and BP Life of Field projects in the US sector of the Gulf of Mexico and the Line 67 project, in the Mexican sector of the Gulf of Mexico. Net operating income, excluding the goodwill impairment charge, at \$297 million was \$100 million or 25% lower than 2013. The decrease in net operating income was mainly due to additional costs incurred in 2014 on the Line 60 and Line 67 projects related to third party vessel breakdowns and field access issues which resulted in schedule changes.

Asia Pacific & Middle East (APME)

Revenue was \$911 million, an increase of \$413 million or 83% compared to 2013. During the year the Gorgon Umbilical and Ningaloo projects, offshore Australia, and the ONGC G1 project, offshore India, were substantially completed. There was significant progress on the Gorgon HLTl and Bayu Undan projects, offshore Australia. Net operating income was \$90 million, compared to \$86 million in 2013 with the 2014 increase in activity being offset by lower contributions from both the SapuraAcergy and Subsea 7 Malaysia joint ventures which had higher activity levels in 2013 on the Gumusut-Kakap and Kumang projects respectively. The Gorgon Heavy Lift and Tie-ins project contributed significant revenue in the year, although margin recognition was limited as commercial negotiations continued with the client.

Brazil (BRAZIL)

Revenue was \$954 million, an increase of \$140 million or 17%. PLSV's under renewed long-term contracts with Petrobras achieved high levels of utilisation at improved pricing and the new-build *Seven Waves* commenced operations in May 2014. During the year the Sapinh and Lula project was substantially completed. The offshore campaign for the Guar-Lula NE project was substantially completed, with some pre-commissioning work remaining to be executed in 2015. This contributed towards a significant de-risking of the project and led to a reduction in the full-life project loss of approximately \$100 million being recognised in the year. Net operating income, excluding the goodwill impairment charge, was \$199 million (2013: net operating loss \$318 million). Net operating income in 2013 was adversely impacted by a \$355 million increase in the expected full-life loss provision on the Guar-Lula NE project.

North Sea & Canada (NSC)

Revenue was \$2.5 billion which was in line with 2013. During the year, the Andrew, West Franklin, Forties Charlie SSIV, Laggan Tormore, Monan and Caisson repair projects, offshore UK, the Delta S2 project, offshore Norway and the Suncor Phase 4 project, offshore Canada, were substantially completed. Work progressed during the year on the Knarr, Martin Linge, Aasta Hansteen, SLMP and Mariner projects, offshore Norway, and on the Western Isles, Clair Ridge, Enochdhu and Montrose projects, offshore UK. Work commenced on the Catcher project, offshore UK. Life of Field services continued under the BP and Shell frame agreements, offshore UK, and the Statoil frame agreement, offshore Norway. Net operating income, excluding the goodwill impairment charge, was \$423 million, an increase of \$28 million or 7% compared to 2013 with the increase due mainly to the successful completion and commercial close-out of various projects during the year.

Corporate (CORP)

Revenue for the year was \$8 million (2013: \$17 million), mainly related to the provision of services to joint ventures. The net operating loss was \$79 million (2013: \$8 million net operating income). The Group's share of net income from Seaway Heavy Lifting was significantly lower in 2014 compared with 2013 due to vessel dry-docking and lower activity levels within the renewables sector. During 2014 impairment charges of \$80 million related to property, plant and equipment were recognised within the Corporate segment mainly in relation to *Seven Polaris* and mobile equipment where the future recoverable amounts were assessed and reduced. In addition the 2013 results benefitted from the release of \$21 million of provisions recognised at the date of the business combination in 2011.

Asset Development and Activities – Fourth Quarter 2014

Fleet Utilisation

Vessel utilisation during the fourth quarter was 68% compared with 80% in Q4 2013.

New-build vessel programme

Construction continued on:

- *Seven Arctic*, a heavy construction vessel, due for delivery in 2016;
- three PLSVs, *Seven Rio*, *Seven Sun* and *Seven Cruzeiro*, linked to long-term contracts awarded by Petrobras, with delivery expected in late 2015 and during 2016; and
- *Seven Kestrel*, a diving support vessel for operation in NSC, with delivery expected in 2015.

Actual and forecast expenditure on the Group's new-build vessel programme as at 31 December 2014 was:

(in \$ millions)	Actual expenditure			Forecast expenditure	
	2012	2013	2014	2015	2016
Total	185	372	544	700	170

Actual and forecast expenditures include an estimate of capitalised interest during construction as part of the initial cost of the vessels.

Backlog

The Group had a backlog of \$8.2 billion at 31 December 2014, a decrease of \$1.2 billion compared with 30 September 2014. Major awards in the quarter included the Stampede project for Hess Corporation in the US Gulf of Mexico, a contract for CNR International in support of Baobab Field Phase III, offshore Ivory Coast, and an installation contract for Shell in the US Gulf of Mexico.

During the quarter backlog was adversely impacted by foreign exchange movements of \$0.4 billion, this was mainly related to contracts denominated in Brazilian Reals, Norwegian Krone and British Pounds. These currencies weakened relative to the US Dollar during the quarter.

\$6.6 billion of the backlog at 31 December 2014 related to SURF activity, which included \$2.8 billion for the long-term PLSV contracts in Brazil, \$1.3 billion related to Life of Field and i-Tech and \$0.3 billion related to Conventional and Hook-up. \$4.1 billion of this backlog is expected to be executed in 2015, \$1.7 billion in 2016 and \$2.4 billion in 2017 and thereafter. Backlog related to associates and joint ventures is excluded from these amounts.

Risks and uncertainties

The principal risks and uncertainties which could materially adversely impact the Group's reputation, operations and/or financial performance and position are noted on pages 40 to 43 of Subsea 7 S.A.'s Annual Report and Consolidated Financial Statements 2013. The Executive Management Team has considered the nature of these principal risks and uncertainties and concluded that these have not changed significantly in the year ended 31 December 2014.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the year ended 31 December 2014 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group taken as a whole. We also confirm that, to the best of our knowledge, this report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties facing the Group.

Kristian Siem
Chairman

Jean Cahuzac
Chief Executive Officer

Subsea 7 S.A.
Condensed Consolidated Income Statement

	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited Re-presented ^(a)	31 Dec 2014 Audited	31 Dec 2013 Audited Re-presented ^(a)
(in \$ millions)				
Revenue	1,394.9	1,585.7	6,869.9	6,297.1
Operating expenses	(1,215.4)	(1,393.7)	(5,694.9)	(5,560.4)
Gross profit	179.5	192.0	1,175.0	736.7
Administrative expenses	(80.7)	(80.7)	(314.7)	(296.1)
Impairment of goodwill	(1,183.3)	–	(1,183.3)	–
Share of net income of associates and joint ventures	2.2	0.6	69.2	127.1
Net operating (loss)/income	(1,082.3)	111.9	(253.8)	567.7
Finance income	2.6	3.5	19.3	22.1
Other gains and losses	39.0	13.6	23.7	(13.8)
Finance costs	(1.1)	(12.7)	(18.7)	(70.9)
(Loss)/income before taxes	(1,041.8)	116.3	(229.5)	505.1
Taxation	65.0	(42.0)	(151.7)	(160.9)
Net (loss)/income	(976.8)	74.3	(381.2)	344.2
Net (loss)/income attributable to:				
Shareholders of the parent company	(967.9)	83.7	(337.8)	349.7
Non-controlling interests	(8.9)	(9.4)	(43.4)	(5.5)
	(976.8)	74.3	(381.2)	344.2
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Earnings per share	\$ per share	\$ per share	\$ per share	\$ per share
Basic	(2.95)	0.25	(1.02)	1.05
Diluted	(2.95)	0.23	(1.02)	1.00
Adjusted diluted ^(b)	0.61	0.23	2.32	1.00

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 12 'Assets classified as held for sale' to the Condensed Consolidated Financial Statements.

(b) For explanation and a reconciliation of diluted and Adjusted diluted earnings per share please refer to Note 7 'Earnings per share' to the Condensed Consolidated Financial Statements.

Subsea 7 S.A.

Condensed Consolidated Statement of Comprehensive Income

	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited Re-presented ^(a)	31 Dec 2014 Audited	31 Dec 2013 Audited Re-presented ^(a)
<i>(in \$ millions)</i>				
Net (loss)/income	(976.8)	74.3	(381.2)	344.2
Other comprehensive income				
<i>Items that may be reclassified to the income statement in subsequent periods:</i>				
Foreign currency translation	(243.2)	28.9	(303.3)	(32.1)
Cash flow hedges:				
Net fair value (losses)/ gains arising	(2.7)	5.3	(16.2)	14.2
Reclassification adjustments for amounts recognised in the Consolidated Income Statement	(0.1)	(1.5)	(9.6)	(5.8)
Adjustments for amounts transferred to the initial carrying amounts of hedged items	-	0.8	0.1	3.0
Share of other comprehensive income of associates and joint ventures	(0.2)	1.0	3.9	9.5
Tax related to components of other comprehensive income which may be reclassified	27.8	4.2	42.3	16.9
<i>Items that will not be reclassified to the income statement in subsequent periods:</i>				
Remeasurement gains/(losses) on defined benefit schemes	(3.5)	5.5	(3.5)	5.5
Tax relating to remeasurement (gains)/losses on defined benefit	1.0	(1.3)	1.1	(1.3)
Other comprehensive (loss)/income	(220.9)	42.9	(285.2)	9.9
Total comprehensive (loss)/ income	(1,197.7)	117.2	(666.4)	354.1
Total comprehensive (loss)/income attributable to:				
Shareholders of the parent company	(1,192.2)	126.7	(626.6)	359.4
Non-controlling interests	(5.5)	(9.5)	(39.8)	(5.3)
	(1,197.7)	117.2	(666.4)	354.1

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 12 'Assets classified as held for sale' to the Condensed Consolidated Financial Statements

Subsea 7 S.A.**Condensed Consolidated Balance Sheet**31 Dec 2014
Audited31 Dec 2013
Audited
Re-presented^(a)

As at (in \$ millions)

Assets**Non-current assets**

Goodwill	1,322.3	2,584.6
Intangible assets	21.2	26.8
Property, plant and equipment	4,565.0	4,307.1
Interest in associates and joint ventures	373.8	310.7
Advances and receivables	128.3	136.3
Derivative financial instruments	3.8	18.1
Deferred tax assets	48.2	48.4
	6,462.6	7,432.0

Current assets

Inventories	59.1	66.5
Trade and other receivables	840.4	1,098.6
Derivative financial instruments	28.0	41.8
Construction contracts – assets	378.4	575.0
Other accrued income and prepaid expenses	283.3	410.9
Cash and cash equivalents	572.6	691.5
	2,161.8	2,884.3

Total assets**8,624.4** **10,316.3****Equity**

Issued share capital	664.3	703.6
Treasury shares	(75.2)	(356.9)
Paid in surplus	3,255.5	3,841.6
Equity reserve	71.2	248.5
Translation reserve	(242.6)	31.9
Other reserves	(73.8)	(59.5)
Retained earnings	1,987.5	2,142.4

Equity attributable to shareholders of the parent company**5,586.9** **6,551.6**

Non-controlling interests

(25.2) **19.5****Total equity****5,561.7** **6,571.1****Liabilities****Non-current liabilities**

Non-current portion of borrowings	576.2	641.4
Retirement benefit obligations	21.3	19.1
Deferred tax liabilities	117.1	169.7
Provisions	30.3	35.5
Contingent liability recognised	6.0	6.8
Derivative financial instruments	15.3	12.6
Other non-current liabilities	93.3	83.5
	859.5	968.6

Current liabilities

Trade and other liabilities	1,674.1	1,740.7
Derivative financial instruments	25.1	9.1
Current tax liabilities	45.8	111.8
Current portion of borrowings	1.9	275.4
Provisions	28.9	19.0
Construction contracts – liabilities	425.7	616.7
Deferred revenue	1.7	3.9
	2,203.2	2,776.6

Total liabilities**3,062.7** **3,745.2****Total equity and liabilities****8,624.4** **10,316.3**

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 12 'Assets classified as held for sale' to the Condensed Consolidated Financial Statements.

Subsea 7 S.A.
Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

(in \$ millions,)	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserve	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
Balance at 1 January 2014	703.6	(356.9)	3,841.6	248.5	31.9	(59.5)	2,142.4	6,551.6	19.5	6,571.1
Comprehensive income										
Net loss	–	–	–	–	–	–	(337.8)	(337.8)	(43.4)	(381.2)
Foreign currency translation	–	–	–	–	(306.9)	–	–	(306.9)	3.6	(303.3)
Cash flow hedges	–	–	–	–	–	(25.7)	–	(25.7)	–	(25.7)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	3.9	–	3.9	–	3.9
Remeasurement gains on defined benefit pension schemes	–	–	–	–	–	(3.5)	–	(3.5)	–	(3.5)
Tax relating to components of other comprehensive income	–	–	–	–	32.4	11.0	–	43.4	–	43.4
Total comprehensive loss	–	–	–	–	(274.5)	(14.3)	(337.8)	(626.6)	(39.8)	(666.4)
Transactions with owners										
Shares repurchased	–	(157.0)	–	–	–	–	–	(157.0)	–	(157.0)
Shares reissued to convertible bondholders	–	21.8	–	–	–	–	–	21.8	–	21.8
Dividends declared	–	–	(200.0)	–	–	–	–	(200.0)	(4.9)	(204.9)
Equity component of convertible bonds	–	–	–	(177.3)	–	–	177.3	–	–	–
Share-based compensation	–	–	7.7	–	–	–	–	7.7	–	7.7
Vesting of share-based payments	–	–	(26.5)	–	–	–	26.5	–	–	–
Shares reissued relating to share-based payments	–	14.1	–	–	–	–	–	14.1	–	14.1
Loss on reissuance of treasury shares	–	–	–	–	–	–	(20.9)	(20.9)	–	(20.9)
Tax effects	–	–	(3.8)	–	–	–	–	(3.8)	–	(3.8)
Shares cancelled	(39.3)	402.8	(363.5)	–	–	–	–	–	–	–
Total transactions with owners	(39.3)	281.7	(586.1)	(177.3)	–	–	182.9	(338.1)	(4.9)	(343.0)
Balance at 31 December 2014	664.3	(75.2)	3,255.5	71.2	(242.6)	(73.8)	1,987.5	5,586.9	(25.2)	5,561.7

Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Issued share capital	Treasury shares	Paid in surplus	Equity reserves	Translation reserve	Other reserve	Retained earnings	Total Re- presented ^(a)	Non- controlling interests Re- presented ^(a)	Total equity Re- presented ^(a)
(in \$ millions.)										
Balance at 1 January 2013	703.6	(443.9)	3,881.8	359.2	44.0	(81.3)	1,844.9	6,308.3	24.6	6,332.9
Comprehensive income/(loss)										
Net income/(loss)	–	–	–	–	–	–	349.7	349.7	(5.5)	344.2
Foreign currency translation	–	–	–	–	(32.3)	–	–	(32.3)	0.2	(32.1)
Cash flow hedges	–	–	–	–	–	11.4	–	11.4	–	11.4
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	9.5	–	9.5	–	9.5
Remeasurement gains on defined benefit pension schemes	–	–	–	–	–	5.5	–	5.5	–	5.5
Tax relating to components of other comprehensive income	–	–	–	–	20.2	(4.6)	–	15.6	–	15.6
Total comprehensive (loss)/income	–	–	–	–	(12.1)	21.8	349.7	359.4	(5.3)	354.1
Transactions with owners										
Shares repurchased	–	(91.2)	–	–	–	–	–	(91.2)	–	(91.2)
Shares reissued to convertible noteholders	–	175.1	–	–	–	–	–	175.1	–	175.1
Dividends declared	–	–	–	–	–	–	(199.3)	(199.3)	–	(199.3)
Equity component of convertible notes	–	–	–	(110.7)	–	–	110.7	–	–	–
Addition of non-controlling interest	–	–	–	–	–	–	–	–	0.2	0.2
Share-based compensation	–	–	8.1	–	–	–	–	8.1	–	8.1
Shares reissued	–	3.1	–	–	–	–	–	3.1	–	3.1
Vesting of share-based payments	–	–	(48.1)	–	–	–	48.1	–	–	–
Loss on reissuance of treasury shares	–	–	–	–	–	–	(11.7)	(11.7)	–	(11.7)
Tax effects	–	–	(0.2)	–	–	–	–	(0.2)	–	(0.2)
Total transactions with owners	–	87.0	(40.2)	(110.7)	–	–	(52.2)	(116.1)	0.2	(115.9)
Balance at 31 December 2013	703.6	(356.9)	3,841.6	248.5	31.9	(59.5)	2,142.4	6,551.6	19.5	6,571.1

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 12 'Assets classified as held for sale' to the Condensed Consolidated Financial Statements.

Subsea 7 S.A.
Condensed Consolidated Cash Flow Statement

	Year Ended	
	31 Dec 2014 Audited	31 Dec 2013 Audited Re-presented ^(a)
(in \$ millions)		
Net cash generated from operating activities	1,449.7	1,032.5
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1.3	18.6
Purchases of property, plant and equipment	(861.2)	(787.5)
Purchases of intangible assets	(6.4)	(6.1)
Shareholder loan to joint ventures	–	(115.3)
Loan repayments from joint ventures	–	21.6
Interest received	19.3	22.1
Dividends received from associates and joint ventures	19.3	23.7
Investment in associates and joint ventures	(0.1)	(1.4)
Net cash used in investing activities	(827.8)	(824.3)
Cash flows from financing activities		
Interest paid	(24.3)	(42.8)
Repayments of borrowings	–	(158.1)
Shares repurchased	(165.7)	(82.6)
Dividends paid to shareholders of the parent company	(194.6)	(199.3)
Redemption of convertible bonds/notes	(182.0)	(337.2)
Repurchase of convertible bonds	(154.9)	–
Proceeds from reissuance of treasury shares	1.3	1.8
Dividends paid to non-controlling interests	–	(2.9)
Net cash used in financing activities	(720.2)	(821.1)
Net decrease in cash and cash equivalents	(98.3)	(612.9)
Cash and cash equivalents at beginning of year	691.5	1,314.1
Effect of foreign exchange rate movements on cash and cash equivalents	(20.6)	(9.7)
Cash and cash equivalents at end of year	572.6	691.5

(a) Re-presented due to the declassification of assets held for sale, as set out in Note 12 'Assets classified as held for sale' to the Condensed Consolidated Financial Statements.

1. General information

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and over-the-counter as American Depositary Receipts (ADRs) in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg. The Condensed Consolidated Financial Statements were authorised for issue by the board of directors on 3 March 2015.

2. Basis of preparation

The Condensed Consolidated Financial Statements for the period 1 January 2014 to 31 December 2014 for Subsea 7 S.A. have been prepared on a going concern basis and in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU).

The Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2013 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Certain comparative information has been re-presented due to the declassification of investments in Sonamet and Sonacergy as assets held for sale as detailed in Note 21 'Assets classified as held for sale'.

The Condensed Consolidated Financial Statements are unaudited.

3. Accounting policies

Basis of accounting

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the year ended 31 December 2013, except as noted below.

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 Group adopted the following new or amended International Financial Reporting Standards (IFRS) and interpretations which were effective for the financial year beginning on January 1 2014:

Recoverable Amount Disclosure for Non-Financial Assets – Amendments to IAS 36 'Impairment of Assets'

These amendments require disclosure of the recoverable amounts for the assets or cash-generating units where an impairment loss has been recognised or reversed during the year. These amendments have been adopted in Note 10 'Goodwill'.

IFRS 12 'Disclosure of Interests in Other Entities'

IFRS 12 includes all of the disclosures that were previously contained in IAS 27 'Separate Financial Statements' related to Consolidated Financial Statements, as well as all of the disclosures that were previously included in IAS 31 'Interests in Joint Ventures' and IAS 28 'Investment in Associates'. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

The Group also adopted the following new or amended International Financial Reporting Standards (IFRS) and interpretations which were effective for the financial year beginning on January 1 2014. These new or amended standards and interpretations did not have a significant impact on the Group's financial position or performance:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IAS 27 'Separate Financial Statements'
- IAS 28 'Investments in Associates and Joint Ventures'
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39
- IFRIC 21 Levies
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle

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 2013, 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 audited Consolidated Financial Statements for the year ended 31 December 2013:

- 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

5. Seasonality

A significant portion of the Group's revenue is generated from work performed offshore. During certain periods of the year, the Group may be affected by adverse weather conditions such as hurricanes or tropical storms which may cause delays. Periods of adverse weather conditions usually result in low levels of activity.

6. Segment information

During 2014, for management and reporting purposes, the Group was organised into four Territories, which were representative of its principal activities. The Corporate segment included all activities that served more than one Territory. All assets were allocated between Territories. Reporting segments in place for the duration of 2014 are defined below:

Africa, Gulf of Mexico & Mediterranean (AFGOM)

This segment included activities in Africa, the US and Mexico, fabrication yards in Warri, Nigeria; Lobito, Angola and Port Gentil, Gabon and spoolbases in Luanda, Angola and Port Isabel, US. It also included the SIMAR and Nigostar 7 joint ventures.

Asia Pacific & Middle East (APME)

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

Brazil (BRAZIL)

This segment included activities in Brazil including a spoolbase at Ubu.

North Sea & Canada (NSC)

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

Corporate (CORP)

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

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

For the three months ended 31 December 2014

(in \$ millions) Unaudited	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	510.6	216.5	209.1	459.0	(0.3)	1,394.9
Net operating income/(loss) excluding goodwill impairment	63.8	21.6	35.4	85.3	(105.1)	101.0
Impairment of goodwill	(364.4)	–	(283.1)	(535.8)	–	(1,183.3)
Net operating (loss)/income	(300.6)	21.6	(247.7)	(450.5)	(105.1)	(1,082.3)
Finance income						2.6
Other gains and losses						39.0
Finance costs						(1.1)
Loss before taxes						(1,041.8)

For the three months ended 31 December 2013

(in \$ millions) Unaudited	AFGOM	APME	BRAZIL	NSC	CORP	Total
	Re-presented					Re-presented
Revenue	672.9	159.7	205.7	543.8	3.6	1,585.7
Net operating income/(loss)	91.8	8.5	(12.7)	63.3	(39.0)	111.9
Finance income						3.5
Other gains and losses						13.6
Finance costs						(12.7)
Income before taxes						116.3

6. Segment information continued

For the year ended 31 December 2014

(in \$ millions) Audited	AFGOM	APME	BRAZIL	NSC	CORP	Total
Revenue	2,464.4	910.5	954.1	2,532.9	8.0	6,869.9
Net operating income/(loss) excluding goodwill impairment	297.2	90.2	198.5	423.0	(79.4)	929.5
Impairment of goodwill	(364.4)	-	(283.1)	(535.8)	-	(1,183.3)
Net operating (loss)/income	(67.2)	90.2	(84.6)	(112.8)	(79.4)	(253.8)
Finance income						19.3
Other gains and losses						23.7
Finance costs						(18.7)
Loss before taxes						(229.5)

For the year ended 31 December 2013

(in \$ millions) Audited	AFGOM Re-presented	APME	BRAZIL	NSC	CORP	Total Re-presented
Revenue	2,453.6	498.1	814.1	2,514.0	17.3	6,297.1
Net operating income/(loss)	396.5	86.1	(317.5)	394.9	7.7	567.7
Finance income						22.1
Other gains and losses						(13.8)
Finance costs						(70.9)
Income before taxes						505.1

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 period, excluding common shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

The income and share data used in the calculation of basic and diluted earnings per share were as follows:

For the period (in \$ millions)	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited Re-presented	31 Dec 2014 Audited	31 Dec 2013 Audited Re-presented
Net (loss)/ income attributable to shareholders of the parent company	(967.9)	83.7	(337.8)	349.7
Interest on convertible bonds (net of amounts capitalised)	-	4.7	-	24.8
Earnings used in the calculation of diluted earnings per share	(967.9)	88.4	(337.8)	374.5

For the period (number of shares)	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited	31 Dec 2014 Audited	31 Dec 2013 Audited
Weighted average number of common shares used in the calculation of basic earnings per share	328,397,206	335,815,389	330,784,021	332,942,490
Convertible bonds and convertible notes	-	41,265,693	-	40,717,826
Share options, performance shares and restricted shares	-	758,191	-	1,036,804
Weighted average number of common shares used in the calculation of diluted earnings per share	328,397,206	377,839,273	330,784,021	374,697,120

For the period (in \$ per share)	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited Re-presented	31 Dec 2014 Audited	31 Dec 2013 Audited Re-presented
Basic earnings per share	(2.95)	0.25	(1.02)	1.05
Diluted earnings per share	(2.95)	0.23	(1.02)	1.00

The following shares that could potentially dilute the earnings per share were excluded from the calculation of diluted earnings per share due to being anti-dilutive for the period:

For the period (number of shares)	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited	31 Dec 2014 Audited	31 Dec 2013 Audited
Convertible bonds and convertible notes	24,726,024	1,814,186	37,333,844	17,972,898
Share options, performance shares and restricted shares	2,157,356	2,400,327	2,844,471	2,338,737

7. Earnings per share continued**Adjusted diluted earnings per share**

Adjusted diluted earnings per share represents diluted earnings per share excluding the goodwill impairment charge of \$1,183 million. The income and share data used in the calculation of Adjusted diluted earnings per share are as follows:

For the period (in \$ millions)	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited Re-presented	31 Dec 2014 Audited	31 Dec 2013 Audited Re-presented
Net income attributable to shareholders of the parent company	215.4	83.7	845.6	349.7
Interest on convertible bonds (net of amounts capitalised)	0.2	4.7	10.9	24.8
Earnings used in the calculation of Adjusted diluted earnings per share	215.6	88.4	856.5	374.5

For the period (number of shares)	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited	31 Dec 2014 Audited	31 Dec 2013 Audited
Weighted average number of common shares used in the calculation of basic earnings per share	328,397,206	335,815,389	330,784,021	332,942,490
Convertible bonds and convertible notes	24,726,024	41,265,693	37,333,844	40,717,826
Share options, performance shares and restricted shares	427,232	758,191	892,643	1,036,804
Weighted average number of common shares used in the calculation of Adjusted diluted earnings per share	353,550,463	377,839,273	369,010,508	374,697,120

For the period (in \$ per share)	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited	31 Dec 2014 Audited	31 Dec 2013 Audited
Adjusted diluted earnings per share	0.61	0.23	2.32	1.00

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. We define Adjusted EBITDA as net income adjusted to exclude depreciation, amortisation and mobilisation costs, impairment charges or impairment reversals, finance income, other gains and losses (including gain on disposal of subsidiary and gain on distribution), finance costs and taxation. Adjusted EBITDA is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of our performance with prior periods or with other businesses. We define our Adjusted EBITDA margin percentage 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 adopted by 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 of net operating (loss)/income to Adjusted EBITDA and Adjusted EBITDA margin:

For the period (in \$ millions)	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited Re-presented	31 Dec 2014 Audited ^(a)	31 Dec 2013 Audited ^(a) Re-presented
Net operating (loss)/income	(1,082.3)	111.9	(253.8)	567.7
Depreciation, amortisation and mobilisation	106.8	100.9	420.5	376.3
Impairment of goodwill	1,183.3	-	1,183.3	-
Impairment of property, plant and equipment	88.8	29.1	88.8	36.7
Adjusted EBITDA (unaudited)	296.6	241.9	1,438.8	980.7
Revenue	1,394.9	1,585.7	6,869.9	6,297.1
Adjusted EBITDA % (unaudited)	21.3%	15.3%	20.9%	15.6%

(a) Audited unless otherwise stated.

8. Adjusted EBITDA and Adjusted EBITDA margin continued

Reconciliation of net (loss)/income to Adjusted EBITDA and Adjusted EBITDA margin:

For the period (in \$ millions)	Three Months Ended		Year Ended	
	31 Dec 2014 Unaudited	31 Dec 2013 Unaudited Re-presented	31 Dec 2014 (a)	31 Dec 2013 (a) Re-presented
Net (loss)/income	(976.8)	74.3	(381.2)	344.2
Depreciation, amortisation and mobilisation	106.8	100.9	420.5	376.3
Impairment of property, plant and equipment	88.8	29.1	88.8	36.7
Impairment of goodwill	1,183.3	-	1,183.3	-
Finance income	(2.6)	(3.5)	(19.3)	(22.1)
Other gains and losses	(39.0)	(13.6)	(23.7)	13.8
Finance costs	1.1	12.7	18.7	70.9
Taxation	(65.0)	42.0	151.7	160.9
Adjusted EBITDA (unaudited)	296.6	241.9	1,438.8	980.7
Revenue	1,394.9	1,585.7	6,869.9	6,297.1
Adjusted EBITDA % (unaudited)	21.3%	15.3%	20.9%	15.6%

(a) Audited unless otherwise stated.

9. Dividends

A final dividend of NOK 3.60 per common share that related to the year ended 31 December 2013 was approved by the shareholders at the Annual General Meeting on 27 June 2014 and recognised in shareholders' equity in June 2014. The total dividend of \$194.6 million was paid in July 2014 to shareholders of record as of 2 July 2014.

10. Goodwill

The movement in goodwill during the period was as follows:

(in \$ millions)	2014 Audited	2013 Audited
At period beginning	2,584.6	2,574.8
Impairment charge	(1,183.3)	-
Exchange differences	(79.0)	9.8
At period end	1,322.3	2,584.6

The Group performed its annual impairment test as at 31 December 2014.

The recoverable amounts of the cash-generating units (CGUs) were determined based on a value-in-use calculation using cash flow projections approved by the Executive Management Team covering a five-year period. Cash flows beyond this five-year period were extrapolated in perpetuity, using a 2.0% (2013: 3.0%) growth rate to determine the terminal value. The pre-tax discount rate applied to cash flow projections was 11.8% (2013: 10.1%).

Following the annual impairment review, the impairment charge recognised in the Consolidated Income Statement in respect of goodwill was as follows:

(in \$ millions)	31 Dec 2014 Audited	31 Dec 2013 Audited
AFGOM	364.4	-
Brazil	283.1	-
NSC	535.8	-
Total	1,183.3	-

At 31 December 2014, the recoverable amounts relating to AFGOM, Brazil and NSC were \$1.8 billion, \$1.5 billion and \$2.0 billion respectively. Decreases in the recoverable amounts related to the CGUs arose as a result of changes to the discount rate and assumed growth rate, and a decline in expectations of future oil prices, which in the near-term are expected to impact negatively on the projected levels of investment and activity in the oil and gas sector. In the case of the Brazil the decrease in the recoverable amount was further affected by the Group's decision to focus on day-rate projects and non-pre-salt EPIC contracts until such time as the risk reward profile of pre-salt EPIC projects becomes acceptable to the Group.

11. Property, plant and equipment

Significant additions to property, plant and equipment for the year ended 31 December 2014 included \$544 million expenditure related to the new-build vessel programme. This included the following significant additions:

- \$363 million expenditure on the four PLSVs, *Seven Rio*, *Seven Sun*, *Seven Cruzeiro* and *Seven Waves*
- \$105 million expenditure on the heavy construction vessel, *Seven Arctic*
- \$76 million expenditure on the diving support vessel, *Seven Kestrel*

12. Assets classified as held for sale

Investments in Sonamet and Sonacergy

On 23 July 2009, the Group entered into a sale agreement to reduce its ownership interest in Sonamet Industrial S.A. (Sonamet) and Sonacergy – Servicios E Construccoes Petroliferas Lda (Sonacergy) from 55% to 36%. Sonamet operates a fabrication yard located in Lobito in support of clients, including Subsea 7, in the offshore oil and gas industry in Angola. Sonacergy provides overseas logistics services and support to Sonamet.

The finalisation of the sale was conditional upon the completion of certain conditions, none of which were under the control of the Group. Following the failure to satisfy these conditions by the end of 2014, the Group issued notification to the relevant parties confirming the position and ceased to classify the assets as held for sale on 31 December 2014.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net assets of Sonamet and Sonacergy have been remeasured at their carrying amount prior to their classification as held for sale and adjusted for depreciation that would have been recognised had the assets never been classified as held for sale. All impairment charges recognised by the Group during the period in which the assets were classified as held for sale have been reversed. Following reclassification, a review for indicators of impairment was performed and management is satisfied that the carrying amount of the net assets of Sonamet and Sonacergy do not exceed their recoverable amounts. Where appropriate certain comparatives have been re-presented to reflect the reclassification. The impact of this re-presentation was to reduce 2013 net income by \$5.7 million and to reduce total equity at 31 December 2013 by \$41.1 million.

13. Share repurchase programme

During 2014 the Group completed its \$200 million share repurchase programme, initiated in October 2013, through the repurchase of 6,059,939 shares for a total consideration of \$107.6 million. Cumulatively 10,710,315 shares were repurchased under the October 2013 share repurchase programme for a total consideration of \$198.8 million.

On 31 July 2014, the Group announced a further 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. During 2014, the Group repurchased 4,457,078 shares under the July 2014 repurchase programme for a total consideration of \$49.5 million, of which 4,057,078 shares (\$43.8 million) were repurchased in the quarter.

14. Treasury shares

During the fourth quarter 12,283 treasury shares were used to satisfy share-based awards which vested, 41,000 share options were exercised and 900,783 were used to satisfy the conversion of an aggregate \$13.8 million (par value) of the \$275 million 3.5% convertible bonds which matured in October 2014.

On 27 November 2014 an Extraordinary General Meeting of shareholders approved the cancellation of shares held in treasury. Accordingly 19,626,664 common shares were cancelled. No new common shares were issued.

At 31 December 2014, the Group directly held 1.2% (2013: 4.0%) of the total number of issued shares as treasury shares. These shares were owned as treasury shares through Subsea 7 S.A.'s indirect subsidiary Subsea 7 Investing (Bermuda) Limited. A further 1,526,200 (2013: 1,526,200) common shares were held by an employee benefit trust to satisfy performance shares under the Group's 2009 Long-term Incentive Plan and 253,482 (2013: 684,097) shares were held in a separate employee benefit trust to support specified share option awards.

15. Borrowings

Borrowings decreased by \$339 million to \$578 million during 2014. The reduction was largely due to the maturing of the \$275 million 2014 3.5% convertible bonds, of which \$261 million were repaid in cash and \$14 million converted to shares, and the early repurchase at market value of \$82 million (par value) of the \$700 million 1.0% convertible bonds due to mature in 2017.

16. Commitments and contingent liabilities

Commitments

As at 31 December 2014, the significant capital commitments that the Group had entered into were:

- contracts totalling approximately \$513 million relating to three new-build PLSV's, *Seven Rio*, *Seven Sun* and *Seven Cruzeiro*. The vessels are scheduled to be delivered in late 2015 and during 2016
- contracts totalling approximately \$179 million relating to the new-build heavy construction vessel, *Seven Arctic*. The vessel is scheduled to be delivered in 2016
- contracts totalling approximately \$53 million relating to the diving support vessel, *Seven Kestrel*. The vessel is scheduled to be delivered in 2015.

Contingent liabilities

Between 2009 and 2014, the Group's Brazilian businesses were audited and formally assessed for a state tax (ICMS) and federal taxes by the Brazilian State and Federal tax authorities. The amount assessed including penalties and interest as at 31 December 2014 amounted to BRL 677.9 million (\$267.8 million). At 31 December 2013 the amount assessed including penalties and interest amounted to BRL 660.1 million (\$280.3 million). The Group continues to believe that the prospect of any payment is possible but 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 a provision, as of the acquisition date, the fair value of contingent liabilities assumed if there was a present obligation that arose from past events, even where payment was not probable. The value of the provision recognised at 31 December 2014 was \$6.0 million (31 December 2013: \$6.8 million). Despite the requirements of IFRS 3, the Group continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

17. Cash flow from operating activities

For the year ended (in \$ millions)	Year Ended	
	31 Dec 2014 Audited	31 Dec 2013 Audited Re-presented
Cash flow from operating activities:		
(Loss)/income before taxes	(229.5)	505.1
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	392.5	357.1
Net impairment of property, plant and equipment	88.8	36.7
Amortisation of intangible assets	11.2	9.5
Impairment of goodwill	1,183.3	–
Mobilisation costs	16.8	9.8
Adjustments for investing and financing items:		
Share in net income of associates and joint ventures	(69.2)	(127.1)
Finance income	(19.3)	(22.1)
Loss/(gain) on disposal of property, plant and equipment	1.4	(12.1)
Finance costs	18.7	70.9
Adjustments for equity items:		
Share-based payments	7.7	8.1
	1,402.4	835.9
Changes in operating assets and liabilities:		
Decrease in inventories	5.0	13.7
Decrease in operating receivables	228.5	40.6
Increase in operating liabilities	34.9	326.6
	268.4	380.9
Income taxes paid	(221.1)	(184.3)
Net cash generated from operating activities	1,449.7	1,032.5

18. Fair value and financial instruments

Except as detailed in the following table, the carrying value of the Group's financial assets and financial liabilities recorded at amortised cost in the Condensed Consolidated Financial Statements approximate their fair values:

As at (in \$ millions)	31 Dec 2014 Carrying amount Audited	31 Dec 2014 Fair value Audited	31 Dec 2013 Carrying amount Audited	31 Dec 2013 Fair value Audited
Financial liabilities				
Borrowings – convertible bonds – Level 2	(576.2)	(565.5)	(911.7)	(923.7)

Borrowings – convertible bonds

The fair value of the liability components of convertible bonds is determined by matching the maturity profile of the bonds to market interest rates available to the Group. At the balance sheet date the interest rates available ranged from 0.7% to 3.1%. (31 December 2013: 0.8% to 3.3%).

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 data (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.

18. 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)	31 Dec 2014 Level 2 Audited	31 Dec 2014 Level 3 Audited	31 Dec 2013 Level 2 Audited	31 Dec 2013 Level 3 Audited
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through profit or loss - derivative instruments	28.1	-	33.5	-
Derivative instruments in designated hedge accounting relationships	3.7	-	26.4	-
Financial liabilities:				
Financial liabilities at fair value through profit or loss - derivative instruments	(35.5)	-	(17.2)	-
Derivative instruments in designated hedge accounting relationships	(4.9)	-	(4.5)	-

During the year ended 31 December 2014 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 0.24%.

19. Related party transactions

At 31 December 2014, the Group was an associate of Siem Industries Inc. Siem Offshore Inc. is an associate of Siem Industries Inc. and has Subsea 7 S.A. directors Mr Eriksrud and Mr Siem as its chairman and a board member respectively. During the year ended 31 December 2014, in addition to normal trading transactions, the Group entered into a charter hire agreement with Siem Offshore Inc. for the hire of their new-build construction vessel *Siem Stingray*. This transaction was executed on arm's length commercial terms.

20. Post balance sheet events**New organisational structure**

With effect from 1 January 2015 the Group implemented a new organisational structure. The new organisational and segmental structure combines two Business Units, which replace the four geographical Territories, and a Corporate segment. The newly-formed Southern Hemisphere and Global Projects Business Unit combines the Brazil and APME Territories and operations in Africa and centralised major projects teams. The Northern Hemisphere and Life of Field Business Unit combines the UK, Canada, Norway and the Gulf of Mexico as well as a separately managed Life of Field business line including the i-Tech Division.

Dividend

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 not recommend a dividend in respect of 2014 to the shareholders of Subsea 7 S.A. at the Annual General Meeting, scheduled for 17 April 2015.