# Subsea 7 S.A. Announces
# Fourth Quarter and 2011 Results

**Luxembourg – March 16, 2012** – Subsea 7 S.A. (formerly Acergy S.A.) (the "Group") (Oslo Børs: SUBC) announced today results for the fourth quarter 2011 and audited results for the thirteen-month period which ended on December 31, 2011. The combination between Acergy S.A. and Subsea 7 Inc. was completed on January 7, 2011. Upon completion, Acergy S.A. was renamed Subsea 7 S.A. As a result of the combination and the change in fiscal year, the results for the full year 2011 incorporate the thirteen-month period from December 1, 2010 to December 31, 2011 for Subsea 7 S.A. and the results of Subsea 7 Inc. following the date of combination. Unless otherwise stated, the comparative period is the three and twelve months ended November 30, 2010 for Acergy S.A.

| | | | | **For Information** |
|---|---|---|---|---|
| | ***Three Months Ended*** | | **Thirteen Months Ended** | Twelve Months Ended |
| ***In $ millions, except Adjusted EBITDA margin %*** | **Dec.31.11 Unaudited** | Nov.30.10 Unaudited | **Dec.31.11 Audited** | Dec.31.11 Unaudited |
| **Continuing operations:** | | | | |
| **Revenue** | **1,417** | 717 | **5,477** | 5,260 |
| **Adjusted EBITDA**[1] | **227** | 179 | **1,003** | 979 |
| **Adjusted EBITDA margin %**[1] | **16.0%** | 25.0% | **18.3%** | 18.6% |
| **Net operating income** | **137** | 153 | **641** | 628 |
| **Net income** | **107** | 124 | **451** | 443 |
| **Backlog** | **8,538** | 3,552 | **8,538** | **8,538** |
| **Cash and cash equivalents** | **803** | 484 | **803** | **803** |
| **Net assets** | **5,833** | 1,259 | **5,833** | **5,833** |
| ***Earnings per share – in $ per share (Diluted)*** | | | | |
| **Continuing operations** | **$0.27** | $0.42 | **$1.21** | $1.15 |
| **Total operations** | **$0.27** | $0.14 | **$1.21** | $1.15 |
| **Weighted average number of common shares and common share equivalents outstanding** | **379.1m** | 207.0m | **366.3m** | 379.8m |

**Jean Cahuzac, Chief Executive Officer, said:**
"2011 was a year of significant achievement for Subsea 7. We have delivered strong financial results, in line with expectations, while making significant progress with our fleet enhancement programme. We have built a record backlog of high quality contracts and we remain disciplined in targeting projects that play to our strengths and asset capabilities; contracts which focus on attaining appropriate margins and returns. Our depth of engineering and project management expertise has continued to grow worldwide, as people are increasingly attracted to the long-term career opportunities that we offer. Following a year of successful integration we are better positioned for growth than ever before.

2011 has been a period of significant progress. I am pleased with our backlog and order intake, which underpins our good momentum.

In light of the continued strong performance, the strength of the balance sheet and confidence in our business, the Board recommends shareholders approve a special dividend of $0.60 per share and has authorised a share buyback programme of up to $200 million to be carried out over the next 12 months. The Board will continue to review, on an annual basis, a return of excess capital to shareholders."

[1] For explanations and a reconciliation of Adjusted EBITDA and Adjusted EBITDA margin, please refer to Note 7 to the Condensed Consolidated Financial Statements included herein.

**Outlook:**

While we cannot ignore the general economic and political uncertainties, we continue to see growth opportunities in all of our major markets. As we commented in November, 2012 will be a year of progress for Subsea 7. We expect to achieve progress on both revenue and Adjusted EBITDA, ahead of the 2011 result.

In the North Sea, we expect to see increased activity with improved margins year-on-year for those projects which are offshore in 2012 and beyond. Levels of tendering remain very strong.

In West Africa, 2012 will be a year of transition with lower offshore activity on those projects awarded over the past 18 months. We expect a number of major SURF contracts to come to market award during the year, with offshore execution in 2013 and beyond. Conventional activity is expected to remain strong.

Our activity in Brazil is expected to remain strong in the traditional deepwater basins; our new-build PLSV is progressing to plan, with operations expected to commence in 2014. In Q4 2011, we recognised a project-life loss of approximately $50 million on the Guara Lula Project. This project's result has been affected by several factors including the negative impact of our revised spool-base plans and delays related to Brazilian production of key suppliers. The Ubu spool-base is operational and preparing to commence pre-salt related activities. Acceptance of the design and engineering testing is progressing to plan with the client. The technical solution developed for Guara Lula, together with the experience we have gained in the early stages of this project, has prepared us well for future pre-salt developments.

In the Gulf of Mexico, we see an increase of activity with contract awards in 2012 and execution late 2013 and 2014 in a still competitive market.

In Asia Pacific, where the market remains competitive, we expect further gas-driven SURF contracts offshore Australia to come to market award in 2012 with associated offshore activity in 2013 and beyond.

In a growing market, two of the Industry's main challenges are managing the availability of skilled people and the increasing tightness of the supply chain. Post combination we are better placed to manage these challenges. Today Subsea 7 is able to allocate the right resources and expertise to engineer and execute more complex projects on a global basis.

## CONFERENCE CALL DETAILS

| Conference Call Information | Replay Facility Details |
|---|---|
| Lines will open 15 minutes prior to conference call.<br><br>Date: Friday March 16, 2012<br>Time: 12.00 noon UK Time<br><br>Conference Dial In Numbers:<br>UK 0800 073 0438<br>USA 1 877 328 4999<br>France 0176 728 973<br>Norway 8001 6886<br>Germany 0692 222 4956<br><br>International Dial In: +44 (0) 1452 561488<br><br>Passcode: 55012548 | A replay facility will be available for the following period:<br><br>Date: Friday March 16, 2012<br>Time: 2.00pm UK Time<br><br>Date: Thursday March 30, 2012<br>Time: 2.00pm UK Time<br><br>Conference Replay Dial In Number:<br><br>International Dial In: +44 (0) 1452 550 000<br><br>Passcode: 55012548# |

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

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Subsea 7 S.A. is a seabed-to-surface engineering, construction and services contractor to the offshore energy industry worldwide.
We provide integrated services, and we plan, design and deliver complex projects in harsh and challenging environments.

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**Forward-Looking Statements:** Certain statements made in this announcement may include “forward-looking statements”. These statements may be identified by the use of words like “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “forecast”, “project,” “will,” “should,” “seek,” and similar expressions. These statements include, but are not limited to, statements about expectations as to the Group’s performance in 2012, including expected revenue and Adjusted EBITDA for 2012 and relevant expectations, statements as to the outlook for the Group’s industry, statements contained in the "Outlook" section. The forward-looking statements reflect our current views and assumptions and are subject to risks and uncertainties. The principal risks and uncertainties which could impact the Company and the factors affecting the business results are on outlined in the “Risk factors” section in the Company’s Annual Report and Financial Statements. These factors, and others which are discussed in our public filings, are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: actions by regulatory authorities or other third parties; unanticipated costs and difficulties related to the integration of Subsea 7 S.A. and Subsea 7 Inc. and our ability to achieve benefits therefrom; our ability to recover costs on significant projects; the general economic conditions and competition in the markets and businesses in which we operate; our relationship with significant clients; the outcome of legal and administrative proceedings or governmental enquiries; uncertainties inherent in operating internationally; the timely delivery of ships on order and the timely completion of ship conversion programmes; the impact of laws and regulations; and operating hazards, including spills and environmental damage. Many of these factors are beyond our ability to control or predict. Given these factors, you should not place undue reliance on the forward-looking statements.

**Management Report: Financial Review**

The results for the fourth quarter 2011 reflect the three months ended December 31, 2011 for Subsea 7 S.A. The comparative period, unless otherwise stated, is the three months ended November 30, 2010 for Acergy S.A.

The results for the full year 2011 reflect the thirteen months from December 1, 2010 to December 31, 2011 for Subsea 7 S.A. and the results of Subsea 7 Inc. following the date of combination. The comparative period, unless otherwise stated, is the twelve months ended November 30, 2010 for Acergy S.A.

**Fourth Quarter 2011**

Revenue from continuing operations for the quarter was $1,417 million (Q4 2010: $717 million) primarily reflecting additional activity resulting from the combination and strong activity levels, particularly in the North and Norwegian Seas and West Africa, and good activity levels in Brazil.

Gross profit was $243 million (Q4 2010: $219 million) reflecting a gross profit margin of 17.1% (Q4 2010: 30.6%). The increase in gross profit resulted from additional activity following from the combination, high levels of project and offshore activity in all territories and improved vessel utilisation. In NSMC the improved gross profit reflects the improved activity, albeit with continued margin pressure from projects awarded in 2010, which were offshore during the period and the impact of poor weather which has resulted in slower than anticipated project progress. The reduction in gross profit margin primarily reflects the lower gross profit margin in NSMC and Brazil due to the loss recognised on the Guara Lula Project.

Administrative expenses were $103 million (Q4 2010: $81 million) reflecting the increased size of the Group following the combination and include expenses of $22 million relating to integration and restructuring.

The Group's share of results of associates and joint ventures was $1 million (Q4 2010: $15 million) including a positive albeit lower contribution from NKT Flexibles and SapuraAcergy, partially offset by a loss from Seaway Heavy Lifting arising from planned low utilisation of *Stanislav Yudin* and *Oleg Strashnov* in the quarter following the completion of their summer campaigns.

Finance income was $6 million (2010: $3 million) reflecting a net increase in interest earned arising from increased cash balances and increased interest rates on overnight balances.

During the quarter, other gains and losses resulted in a net loss of $9 million (Q4 2010: $6 million), mainly due to exchange rate movements, including the US Dollar strengthening against the Euro, Norwegian Kroner and Brazilian Real during the quarter.

Finance costs were $8 million (Q4 2010: $11 million), primarily reflecting interest expense from the inclusion of the Subsea 7 Inc. convertible loan note, interest on the *Seven Havila* facility following delivery of the vessel during the first quarter and fees associated with the $1 billion facility held by the Group, offset by interest capitalised on *Seven Borealis*.

Net income before taxes from continuing operations for the quarter was $126 million (Q4 2010: $139 million).

Taxation for the quarter was $19 million (Q4 2010: $45 million) resulting in an effective tax rate of 15% (Q4 2010: 32%) reflecting the current geographical portfolio mix and additional depreciation charges arising from the fair value adjustments on tangible and intangible assets, partially offset by the release of certain provisions relating to ongoing tax audits and the recognition of a deferred tax asset on US Net Operating Losses (NOLs) and accrued interest deductions, which had previously not been recognised. The underlying effective tax rate on continuing operations for the quarter was 29%.

Net income from continuing operations for the quarter was $107 million (Q4 2010: $94 million).

Adjusted EBITDA from continuing operations for the quarter was $227 million (Q4 2010: $179 million) resulting in an Adjusted EBITDA margin from continuing operations for the quarter of 16.0% (Q4 2010: 25.0%).

**Full Year 2011**

Revenue from continuing operations for the period was $5,477 million (2010: $2,369 million) primarily reflecting additional activity resulting from the combination and good activity levels in the North and Norwegian Seas, West Africa and Brazil.

Gross profit was $946 million (2010: $622 million) reflecting a gross profit margin of 17.3% (2010: 26.2%). The increase in gross profit resulted from additional activity following the combination and high levels of project and offshore activity including the completion of a number of major projects including PazFlor, Angola LNG, Block 17, CWLH and Deep Panuke. In NSMC, the improved gross profit reflects the improved activity, albeit with continued margin pressure from projects awarded in 2009 and 2010, which were offshore during the period, and improved utilisation, offset by the impact of some operational delays due to equipment problems and poor weather, particularly in the second half, which has resulted in slower than anticipated progress on some projects. The reduction in gross profit margin is primarily due to the lower gross profit margin in NSMC and Brazil due to the loss recognised on the Guara Lula Project.

Administrative expenses were $404 million (2010: $260 million) reflecting the increased size of the Group following the combination and include expenses of $63 million relating to integration and restructuring. In addition, tendering costs during the period increased due to the high volume of new opportunities, particularly in NSMC, APME and AFGoM.

The Group's share of results of associates and joint ventures was $104 million (2010: $75 million) including improved contributions from Seaway Heavy Lifting and NKT Flexibles and another strong contribution from SapuraAcergy.

Finance income for the period was $20 million (2010: $10 million), primarily reflecting a net increase in interest earned arising from increased cash balances.

During the period, other gains and losses resulted in a net gain of $7 million (2010: losses of $18 million), mainly due to exchange rate movements, including the Brazilian Real weakening significantly against the US dollar during the period.

Finance costs were $40 million (2010: $29 million), primarily reflecting interest expense from the inclusion of the Subsea 7 Inc. convertible loan notes, interest on the *Seven Havila* facility following delivery of the vessel during the first quarter and fees associated with the $1 billion facility held by the Group.

Net income before taxes from continuing operations for the period was $627 million (2010: $399 million).

Taxation for the period was $176 million (2010: $131 million) resulting in an effective tax rate of 28% (Q4 2010: 32%) reflecting the current geographical portfolio mix and additional depreciation charges arising from the fair value adjustments on tangible and intangible assets, partially offset by the recognition of a deferred tax asset of approximately $29 million on US Net Operating Losses (NOLs) and accrued interest deductions, which had previously not been recognised. The underlying effective tax rate on continuing operations for the period was 35%.

Net income from continuing operations for the period was $451 million (2010: $268 million).

Adjusted EBITDA from continuing operations for the period was $1,003 million (2010: $559 million) resulting in an Adjusted EBITDA margin from continuing operations for the period of 18.3% (2010: 23.6%).

Net assets were $5.8 billion as at December 31, 2011 (November 30, 2010: $1.3 billion). The increase is largely as a result of the combination with Subsea 7 Inc., which included $1.6 billion of net assets, recognised at fair value, and $2.6 billion of goodwill arising as a result of the combination.

Cash and cash equivalents position as at December 31, 2011 was $803 million (November 30, 2010: $484 million). The increase primarily reflects increased cash balances resulting from the combination, cash generated from operations and new borrowings used to part finance *Seven Havila*, partially offset by planned capital expenditure, the completion of the share buyback programme authorised by the Board of Directors on June 15, 2011 and repayment of the 2011 2.8% convertible loan notes.

**Management Report: Operating Review**

**Fourth Quarter 2011**

***North Sea, Mediterranean and Canada (NSMC)*** – Revenue for the fourth quarter was $586 million (Q4 2010: $191 million) reflecting additional activity from the combination with Subsea 7 Inc., very high vessel utilisation and good activity levels on a number of projects including Siri Caisson, Deep Panuke, Medway, Skarv and Nexen TAB/TAC Projects. Life-of-Field operations under the Shell, DSVi, Statoil, ConocoPhillips, Total and BP Frame Agreements performed well during the quarter. Net operating income was $97 million (Q4 2010: $64 million) primarily due to increased activity, a higher number of vessel days and project completions including the Deep Panuke Project, partially offset by the impact of low margins on some projects awarded in 2010 and higher tendering expenses. Adverse weather during the quarter resulting in lower than scheduled progress on some projects.

***Africa and Gulf of Mexico (AFGoM)*** – Revenue for the fourth quarter was $605 million (Q4 2010: $464 million) reflecting additional activity from the combination with Subsea 7 Inc. and good progress on a number of projects, including, CLOV, EGP3B, PazFlor, Oso Re and Block 31. Sonamet delivered another good contribution. Net operating income was $112 million (Q4 2010: $99 million) reflecting good operational performance across the project portfolio, including PazFlor, Block 31, Angola LNG and Oso Re, as well as Sonamet, albeit a lower contribution than Q4 2010. Financial completion of PazFlor and Angola LNG occurred during the quarter.

***Asia Pacific and Middle East (APME)*** – Revenue for the fourth quarter was $38 million (Q4 2010: $6 million) reflecting good offshore activity on the Montara Project. Net operating loss was $7 million (Q4 2010: net operating income of $2 million) due to losses arising from the Montara Project, partially offset by the financial completion of the Woodside CWLH Project and a good, albeit lower contribution from the SapuraAcergy joint venture.

***Brazil (BRAZIL)*** – Revenue for the fourth quarter was $186 million (Q4 2010: $53 million) reflecting the seven vessels on long-term service agreements to Petrobras, which achieved high utilisation outside of planned dry-docks during the period, and progress on the GSNC, Guara Lula and P-55 Projects and the i-Tech Superbid III Project for Petrobras. Net operating loss was $11 million (Q4 2010: net operating income of $4 million), reflecting a loss of approximately $50 million arising from the Guara Lula Project, which has been recognised during the quarter, partially offset by good performance from the vessels on long-term service agreement, the GSNC Project and the i-Tech Superbid III Project. The loss on the Guara Lula Project reflects the expected loss over the project lifetime.

**Corporate *(CORP)*** – Revenue for the fourth quarter was $2 million (Q4 2010: $3 million). Net operating loss was $54 million (Q4 2010: $15 million) reflecting increased administrative expenses and a negative contribution from Seaway Heavy Lifting, partially offset by a positive albeit lower contribution from NKT Flexibles. Integration costs for the period are reflected in administrative expenses, mainly within this segment. The additional depreciation and amortisation, arising following the fair valuation of the assets and liabilities acquired in the combination with Subsea 7 Inc. is also shown in this segment.

**Full Year 2011**

***North Sea, Mediterranean and Canada (NSMC)*** – Revenue for the period was $2,054 million (2010: $568 million) reflecting additional activity from the combination with Subsea 7 Inc. and high activity levels on a number of projects including Deep Panuke, Siri Caisson, Andrew, Skarv & Idun, Medway, Ensign, Marulk Marine and Laggan Tormore. Life-of-Field operations under the Shell, DSVi, Statoil, ConocoPhillips, Total and BP Frame Agreements performed well during the year. Net operating income was $179 million (2010: $84 million) primarily due to increased activity including a higher number of vessel days compared to 2010 and improved utilisation, partially offset by the impact of low margins on some projects awarded in 2010 and higher tendering expenses. During the period a number of projects completed. Adverse weather conditions, particularly in the second half, have also impacted these results resulting in lower than scheduled progress on some projects, partially offset by higher utilisation while waiting on weather.

***Africa and Gulf of Mexico (AFGoM)*** – Revenue for the period was $2,543 million (2010: $1,396 million) reflecting additional activity from the combination with Subsea 7 Inc. and good progress on a number of projects, including PazFlor, EGP3B, Oso Re, CLOV, Block 31, Angola LNG and Block 18 GEL, and Sonamet delivered another good contribution. Net operating income was $490 million (2010: $307 million) as a result of good operational performance across the project portfolio, including PazFlor, Block 31, Angola LNG, Oso Re, Block 17/18, EGP3B and CLOV as well as Sonamet, albeit a lower contribution than 2010, and including the completion of a number of major projects including PazFlor, Angola LNG and Block 17/18.

***Asia Pacific and Middle East (APME)*** – Revenue for the period was $181 million (2010: $180 million) with good, albeit lower offshore project activity compared to 2010, including the Woodside CWLH, Kitan, Maersk Qatar and ONGC G1 Projects. Net operating income was $18 million (2010: $84 million) due to lower project activity with low utilisation of *Rockwater 2,* and higher tendering costs, partially offset by the completion of the Woodside Projects and a good contribution from the SapuraAcergy joint venture, reflecting good progress on the Gumusut Project. Net operating income in 2010 benefited from a higher level of project close-outs than in 2011.

***Brazil (BRAZIL)*** – Revenue for the period was $686 million (2010: $214 million) reflecting the seven vessels on long-term service agreements to Petrobras, which achieved strong utilisation during the period, progress on the P-55, GSNC and Guara Lula Projects and the i-Tech Project for Petrobras. Net operating income was $23 million (2010: $8 million), due to good performance from the vessels on long-term service agreements, and the i-Tech Superbid III Project, partially offset by losses recognised on the Guara Lula Project.

**Corporate *(CORP)*** – Revenue for the period was $12 million (2010: $11 million). Net operating loss was $69 million (2010: $47 million) reflecting increased administrative expenses, including integration costs for the period which are reflected in administrative expenses, mainly within this segment. The additional depreciation and amortisation, arising following the fair valuation of the assets and liabilities acquired in the combination with Subsea 7 Inc., is also shown in this segment. The increased administrative expenses was partially offset by strong contributions from Seaway Heavy Lifting and NKT Flexibles.

**Discontinued Operations:**
Following completion of the Mexilhao Trunkline Project in Q4 2010 there has been no further activity during the year.

## Asset Development and Activities during 2011

The Sonamet investment remained on the consolidated balance sheet in the quarter ended December 31, 2011 although it continues to be classified as ‘Assets held for sale’. After the completion of the sale and transfer of shares the business will be deconsolidated from the Group’s financial statements and its future results will be reported as ‘Share of results of associates and joint ventures’.

During the first quarter, *Seven Havila*, the new-build diving support vessel joined the fleet, and following the completion of sea trials and commissioning of the dive system commenced work in the North Sea in summer 2011. The Seaway Heavy Lifting joint venture took delivery of the new-build DP3 crane vessel, *Oleg Strashnov*, which commenced work in the second quarter on the Sheringham Shoal Windfarm Project. Following the award of a five year frame agreement with Statoil, *Seven Viking*, a new-build IMR vessel, was chartered for an initial term of eight years, and is expected to join the fleet in Q4 2012.

During the second quarter, two vessels, *Grant Candies* and *Chloe Candies*, were chartered to support the three-year contract from BP for Life-of-Field services in the US Gulf of Mexico. *Havila Subsea*, an IMR/survey and light construction vessel also joined the fleet and commenced work under the Statoil five-year frame agreement. *Havila Subsea* is the forerunner vessel to *Seven Viking*. Following the completion of the charter arrangement, *Toisa Polaris* was returned to her owner. *Acergy Hawk, a* construction vessel and *Kommandor Subsea*, an IMR/survey vessel, were sold and *Polar Queen* was renamed *Seven Mar*, in accordance with the purchase agreement executed in 2010.

Divesture of *Acergy Falcon*, a rigid pipelay vessel, in accordance with the undertakings given to the UK Office of Fair Trading was completed in September 2011, as planned.

During the fourth quarter, the Group acquired *Seven Inagha*, a jack-up accommodation and crane barge which is expected to work on fixed platform conventional activities, offshore Nigeria, following her arrival in Q2 2012. The Group also entered into a four-year charter of *Skandi Skansen*, a trenching support vessel, for 100 days per year plus options, and a three-year charter of *Normand Oceanic*, a construction and flexible pipelay vessel. Both vessels are expected to join the fleet in Q2 2012. Following the award of a five-year contract by Petrobras, the Group entered into an agreement to construct a new-build deepwater flexible pipelay vessel, which is expected to be delivered in H2 2014.

Post quarter end, *Pertinacia* was renamed *Seven Phoenix*, in accordance with the purchase agreement executed in 2010.

Post quarter end, *Seven Borealis* sailed from Singapore to Europe to complete her final fit out. Work remains on track for final completion and operational delivery and she is expected to commence operations on the CLOV Project, offshore Angola in Q4 2012.

Vessel utilisation during the fourth quarter was 88% (Q4 2010: 74%) and full year was 80% (FY 2010: 70%). A significant increase in total vessel days worked arising primarily from the combination with Subsea 7 Inc. and new additions to the fleet was partially offset by approximately 900 days of planned dry-dock activity during the period.

**Associates and joint ventures – significant announcements:**

On September 20, 2011 the Boards of NKT Holdings and Subsea 7 S.A. announced that they had initiated a formal process to explore strategic alternatives for the future development of NKT Flexibles.

On February 3, 2012 the Boards of NKT Holding and Subsea 7 S.A. announced that they had entered into an agreement to sell NKT Flexibles to National Oilwell Varco (NOV) for a total consideration of DKK 3.8 billion. The transaction is subject to customary closing conditions, including approval from the relevant competition authorities, and is expected to close during the first half of 2012.

**Backlog**

Backlog was $8.5 billion as at December 31, 2011, of which approximately $4.2 billion is expected to be executed in 2012.

Reported backlog refers to expected future revenue under signed contracts, which are determined likely to be performed, but does not include backlog related to non-consolidated associates and joint ventures.

## Risks and uncertainties

The principal risks and uncertainties which could impact the Group and the factors affecting the business results are on pages 28 to 33 and pages 58 to 60 respectively, in the Group's 2010 Annual Report and Financial Statements. The Directors have considered the principal risks and uncertainties and believe that these have not changed significantly in the period which ended on December 31, 2011. These include, amongst others: business environment, seasonality, ship utilisation and scheduling, maintenance and reliability of assets, revision of estimates on major projects, currency exchange fluctuations and impairment charges. In particular, the significant risks faced by the Group relate to project execution, especially for those which will be in offshore phases.

## Responsibility statement

We confirm that to the best of our knowledge, the consolidated financial information for the period December 1, 2010 to December 31, 2011 has been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union ('EU') and gives a true and fair view of the Group's assets, liabilities, financial position and profit as a whole. We also confirm, to the best of our knowledge, that this report includes a fair review of important events that have occurred during the thirteen months of the financial year and their impact on the consolidated financial information facing the Group.

**Kristian Siem**
**Chairman**

**Jean Cahuzac**
**Chief Executive Officer**

**SUBSEA 7 S.A.**
**CONDENSED CONSOLIDATED INCOME STATEMENT**
(In $ millions, except per share data)

| | Three Months Ended | | Thirteen Months Ended | Twelve Months Ended |
|---|---|---|---|---|
| | **Dec.31.11 Unaudited** | Nov.30.10 Unaudited Restated | **Dec.31.11 Audited** | Nov.30.10 Audited Restated |
| Revenue from continuing operations | **1,417.4** | 717.2 | **5,476.5** | 2,369.0 |
| Operating expenses | **(1,174.9)** | (498.0) | **(4,530.1)** | (1,747.4) |
| **Gross profit** | **242.5** | 219.2 | **946.4** | 621.6 |
| Administrative expenses | **(103.0)** | (80.6) | **(404.0)** | (260.3) |
| Net other operating income | **(3.6)** | (0.8) | **(5.6)** | - |
| Share of net income of associates and joint ventures | **0.8** | 15.1 | **103.7** | 74.8 |
| **Net operating income from continuing operations** | **136.7** | 152.9 | **640.5** | 436.1 |
| Finance income | **6.0** | 2.6 | **20.0** | 9.8 |
| Other (losses)/gains | **(8.7)** | (5.6) | **6.9** | (18.0) |
| Finance costs | **(8.4)** | (10.7) | **(40.4)** | (28.7) |
| **Net income before taxes from continuing operations** | **125.6** | 139.2 | **627.0** | 399.2 |
| Taxation | **(18.9)** | (45.1) | **(176.3)** | (130.8) |
| **Net income from continuing operations** | **106.7** | 94.1 | **450.7** | 268.4 |
| Net income from discontinued operations | **-** | 29.6 | **-** | 44.6 |
| **Net income** | **106.7** | 123.7 | **450.7** | 313.0 |
| **Net income attributable to:** | | | | |
| Equity holders of the parent | **100.4** | 113.6 | **423.7** | 265.4 |
| Non-controlling interests | **6.3** | 10.1 | **27.0** | 47.6 |
| **Net income** | **106.7** | 123.7 | **450.7** | 313.0 |
| **Per share data:** | | | | |
| Earnings per share ($) | | | | |
| **Basic** | | | | |
| Continuing operations | **$0.30** | $0.46 | **$1.31** | $1.20 |
| Discontinued operations | **-** | $0.16 | **-** | $0.24 |
| Net income | **$0. 30** | $0.62 | **$1.31** | $1.45 |
| **Diluted** | | | | |
| Continuing operations | **$0.27** | $0.42 | **$1.21** | $1.16 |
| Discontinued operations | **-** | $0.14 | **-** | $0.22 |
| Net income | **$0.27** | $0.57 | **$1.21** | $1.38 |

**SUBSEA 7 S.A.**
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
(In $ millions)

| | Three Months Ended | | Thirteen Months Ended | Twelve Months Ended |
|---|---|---|---|---|
| | **Dec.31.11 Unaudited** | Nov.30.10 Unaudited | **Dec.31.11 Audited** | Nov.30.10 Audited |
| **Net income** | **106.7** | 123.7 | **450.7** | 313.0 |
| Foreign currency translation | **28.6** | 13.0 | **43.4** | (69.4) |
| Cash flow hedges: | | | | |
| Gains/(losses) on cash flow hedges | **(40.2)** | 22.0 | **(0.8)** | (40.8) |
| Transferred to income statement on cash flow hedges | **(5.6)** | 5.2 | **(4.2)** | 16.7 |
| Transferred to the initial carrying amount of hedged items on cash flow hedges | **0.3** | (0.2) | **0.5** | (0.2) |
| Share of other comprehensive (loss)/income of associates and joint ventures | **0.9** | 5.4 | **1.1** | (5.1) |
| Actuarial losses on defined benefit pension schemes | **0.4** | (7.2) | **(0.3)** | (7.2) |
| Tax relating to components of other comprehensive income | **2.5** | 13.8 | **(1.1)** | 5.6 |
| **Other comprehensive (loss)/income – net of tax** | **(13.1)** | 52.0 | **38.6** | (100.4) |
| **Total comprehensive income** | **93.6** | 175.7 | **489.3** | 212.6 |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the parent | **88.0** | 165.3 | **462.3** | 167.0 |
| Non-controlling interests | **5.6** | 10.4 | **27.0** | 45.6 |
| **Total comprehensive income** | **93.6** | 175.7 | **489.3** | 212.6 |

# SUBSEA 7 S.A.
## CONDENSED CONSOLIDATED BALANCE SHEET
(In $ millions)

| | As at Dec.31.11 Audited | As at Nov.30.10 Audited |
|---|---|---|
| ***ASSETS*** | | |
| **Non-current assets** | | |
| Goodwill | **2,566.6** | - |
| Intangible assets | **34.9** | 6.1 |
| Property, plant and equipment | **3,352.2** | 1,278.8 |
| Interest in associates and joint ventures | **264.1** | 215.1 |
| Advances, receivables and other non-current assets | **74.8** | 63.4 |
| Deferred tax assets | **40.9** | 22.8 |
| **Total non-current assets** | **6,333.5** | 1,586.2 |
| **Current assets** | | |
| Inventories | **57.4** | 24.1 |
| Trade and other receivables | **773.0** | 382.0 |
| Other current assets | **62.7** | 15.1 |
| Assets classified as held for sale | **319.4** | 255.5 |
| Construction contracts - assets | **515.1** | 112.1 |
| Other accrued income and prepaid expenses | **383.1** | 130.2 |
| Cash and cash equivalents | **803.4** | 484.3 |
| **Total current assets** | **2,914.1** | 1,403.3 |
| ***Total assets*** | **9,247.6** | 2,989.5 |
| ***EQUITY*** | | |
| **Capital and reserves attributable to equity holders** | | |
| Issued share capital | **703.6** | 389.9 |
| Own shares | **(278.5)** | (209.2) |
| Paid in surplus | **4,185.5** | 508.8 |
| Equity reserves | **278.6** | 110.7 |
| Translation reserves | **(36.3)** | (80.2) |
| Other reserves | **(95.6)** | (90.3) |
| Retained earnings | **1,023.7** | 572.8 |
| **Equity attributable to equity holders of the parent** | **5,781.0** | 1,202.5 |
| Non-controlling interests | **51.5** | 56.8 |
| ***Total equity*** | **5,832.5** | 1,259.3 |
| ***LIABILITIES*** | | |
| **Non-current liabilities** | | |
| Non-current portion of borrowings | **880.5** | 435.3 |
| Retirement benefit obligation | **29.4** | 28.8 |
| Deferred tax liabilities | **133.3** | 44.1 |
| Other non-current liabilities | **99.9** | 31.5 |
| **Total non-current liabilities** | **1,143.1** | 539.7 |
| **Current liabilities** | | |
| Trade and other liabilities | **1,218.9** | 673.3 |
| Current tax liabilities | **190.3** | 109.9 |
| Current portion of borrowings | **12.9** | - |
| Liabilities directly associated with assets classified as held for sale | **188.4** | 134.5 |
| Other current liabilities | **67.2** | 55.0 |
| Construction contracts - liabilities | **383.6** | 198.4 |
| Deferred revenue | **210.7** | 19.4 |
| **Total current liabilities** | **2,272.0** | 1,190.5 |
| ***Total liabilities*** | **3,415.1** | 1,730.2 |
| ***Total equity and liabilities*** | **9,247.6** | 2,989.5 |

**SUBSEA 7 S.A.**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
(In $ millions)

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

**SUBSEA 7 S.A.**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)**
(In $ millions)

| Audited | Issued share capital | Own Shares | Paid in surplus | Equity reserves | Translation reserves | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 1, 2009** | **389.9** | **(222.6)** | **503.9** | **110.7** | **(12.0)** | **(60.1)** | **358.2** | **1,068.0** | **31.2** | **1,099.2** |
| **Comprehensive income** | | | | | | | | | | |
| Net income | - | - | - | - | - | - | 265.4 | **265.4** | 47.6 | **313.0** |
| Exchange differences | - | - | - | - | (67.4) | - | - | **(67.4)** | (2.0) | **(69.4)** |
| Loss on cash flow hedges | - | - | - | - | - | (24.3) | - | **(24.3)** | - | **(24.3)** |
| Share of other comprehensive loss of associates and joint ventures | - | - | - | - | - | (5.1) | - | **(5.1)** | - | **(5.1)** |
| Actuarial losses on defined benefit pension schemes | - | - | - | - | - | (7.2) | - | **(7.2)** | - | **(7.2)** |
| Tax relating to components of other comprehensive income | - | - | - | - | (0.8) | 6.4 | - | **5.6** | - | **5.6** |
| **Total comprehensive (loss)/income** | **-** | **-** | **-** | **-** | **(68.2)** | **(30.2)** | **265.4** | **167.0** | **45.6** | **212.6** |
| **Transactions with owners** | | | | | | | | | | |
| Share based compensation | - | - | 4.4 | - | - | - | - | **4.4** | - | **4.4** |
| Tax effects | - | - | 0.5 | - | - | - | - | **0.5** | - | **0.5** |
| Shares reissued | - | 13.4 | - | - | - | - | - | **13.4** | - | **13.4** |
| Dividends declared and paid | - | - | - | - | - | - | (42.2) | **(42.2)** | (20.0) | **(62.2)** |
| Loss on reissuance of own shares | - | - | - | - | - | - | (8.6) | **(8.6)** | - | **(8.6)** |
| **Total transactions with owners** | **-** | **13.4** | **4.9** | **-** | **-** | **-** | **(50.8)** | **(32.5)** | **(20.0)** | **(52.5)** |
| **Balance at November 30, 2010** | **389.9** | **(209.2)** | **508.8** | **110.7** | **(80.2)** | **(90.3)** | **572.8** | **1,202.5** | **56.8** | **1,259.3** |

**SUBSEA 7 S.A.**
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**
(In $ millions)

| | **Thirteen Months Ended Dec.31.11 Audited** | Twelve Months Ended Nov.30.10 Audited Restated |
|---|---|---|
| **Net cash generated from operating activities** | **579.4** | 148.3 |
| **Cash flows from investing activities:** | | |
| Proceeds from sale of property, plant and equipment | **10.2** | 0.3 |
| Purchase of property, plant and equipment | **(672.5)** | (503.9) |
| Proceeds from sale of assets classified as held for sale | **0.1** | 2.2 |
| Purchases of intangible assets | **(4.3)** | (6.2) |
| Interest received | **20.0** | 9.8 |
| Cash from acquisition | **458.9** | - |
| Dividends received from associates and joint ventures | **63.7** | 28.3 |
| Purchase of non-controlling interest | **(1.0)** | - |
| Investment in associates and joint ventures | **-** | (14.0) |
| **Net cash generated used in investing activities** | **(124.9)** | (483.5) |
| **Cash flows from financing activities:** | | |
| Interest paid | **(45.2)** | (15.8) |
| Proceeds from borrowings, net of issuance costs | **189.9** | 6.1 |
| Issuance cost paid | **-** | (10.0) |
| Repayment of borrowings | **(180.7)** | (7.2) |
| Dividends paid to equity shareholders of the parent | **-** | (42.2) |
| Loan repayments from joint ventures | **7.5** | |
| Proceeds from issuance of ordinary shares | **8.2** | 4.6 |
| Own share buyback | **(60.0)** | - |
| Dividends paid to non-controlling interests | **(13.7)** | (20.0) |
| **Net cash generated used in financing activities** | **(94.0)** | (84.5) |
| Net increase/(decrease) in cash and cash equivalents | **360.5** | (419.7) |
| Cash and cash equivalents at beginning of the period | **484.3** | 907.6 |
| Effect of exchange rates on cash and cash equivalents | **(3.9)** | (60.1) |
| Decrease/(increase) in restricted cash balances | **(49.7)** | 16.6 |
| Decrease/(increase) in cash balances classified as assets held for sale | **12.2** | 39.9 |
| **Cash and cash equivalents at end of the period** | **803.4** | 484.3 |

**SUBSEA 7 S.A.**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## 1. Basis of preparation

The Condensed Consolidated Financial Statements for the period December 1, 2010 to December 31, 2011 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 November 30, 2010 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and as adopted by the EU.

## 2. Accounting policies

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the year ended November 30, 2010, other than the changes in presentation detailed below.

From December 1, 2010 the Group has presented administrative expenses net of costs recharged to projects. Previously, administrative costs were presented gross prior to this recharge. This presentational change reflects more accurately how management reviews projects on an ongoing basis. As a result, the Condensed Consolidated Income Statement has been restated with an increase to operating expenses of $12.6 million for the three months ended November 30, 2010 and $46.4 million for the twelve months ended November 30, 2010 and a corresponding reduction in gross profit and administrative expenses during the respective periods.

From December 1, 2010 the Group has presented interest received as a cash flow from investing activities (previously presented as cash generated from operating activities) and foreign exchange movements on cash balances within the line 'Effects of exchange rates on cash and cash equivalents' (previously included within "Cash generated from operating activities"). In addition movements in restricted cash have been presented separately rather than being included in 'Cash generated from operating activities'. As a result cash generated in operating activities has increased by $41.5 million, cash flows from investing activities increased by $9.8 million and effects of exchange rates on cash and cash equivalents has reduced by $34.7 million for the year and a movement in restricted cash of $16.6 million was presented on the face of the Cash Flow Statement. This reclassification reflects more accurately the use of cash by the Group.

Neither of these changes in presentation has an impact on earnings per share, net operating income or Adjusted EBITDA.

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

The following new standards, amendments to standards and interpretations have been adopted from December 1, 2010:
- Amendment to IAS 24 'Related party disclosures'
- Amendments to IFRS 2 'Share-based Payment: Group Cash-settled Share-based Payment Transactions'
- Improvements to IFRSs (2010)

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

### 3. 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 November 30, 2010, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Management makes accounting judgements on the following aspects of the business as described in full in the Consolidated Financial Statements for the year ended November 30, 2010:

- Revenue recognition on long-term contracts
- Revenue recognition on variation orders and claims
- Property, plant and equipment
- Impairment of investments in and advances to associates and joint ventures
- Recognition of provisions and disclosure of contingent liabilities
- Taxation
- Fair value of derivatives and other financial instruments
- Share based payments
- Defined benefit pension scheme valuations

In addition, and following the acquisition of Subsea 7 Inc. (note 11), management have made judgements and estimates relating to the purchase price allocation including fair value of acquired assets, assumed liabilities, contingent liabilities and adopted share based payments, and the allocation of goodwill to cash generating units (CGUs). On an annual basis, management are required to assess the carrying value of goodwill for impairment.

### 4. Seasonality

A significant portion of the Group's revenue in 2011 and 2010 was generated from work performed offshore West Africa where optimal weather conditions usually exist between October to April. The Group also generated a significant portion of its revenue in 2011 and 2010 in the North and Norwegian Seas. Adverse weather conditions during the winter months in this region usually result in low levels of activity. Due to global economic conditions since 2008, the seasonal patterns of an increased level of activity during the summer usually observed in the North and Norwegian Seas was noticeably dampened in 2010 and 2011 albeit, to a lesser extent.

The Group is expected to generate a significant portion of its revenue from West Africa, the North Sea, the Norwegian Sea and Brazil. A full-year result is not likely to be a direct multiple of any particular quarter or combination of quarters. During certain periods of the year, the Group may be affected by delays caused by adverse weather conditions such as hurricanes or tropical storms. The Group continues to incur operating expenses during periods of adverse weather, but revenue from operations may only be recognised later in line with the percentage-of-completion method.

### 5. Segmental Information

From December 1, 2010, the Group has changed its reporting segments. For management and reporting purposes, the Group is organised into four territories, which are representative of its principal activities. In addition, the Corporate segment includes all activities that serve more than one territory. These include the activities of the SHL and NKT joint ventures. Also included are: management of offshore personnel; captive insurance activities; and management and corporate services provided for the benefit of the whole Group. All assets are allocated to a specific territory; including vessels which have global mobility which were previously attributed to the 'Acergy Corporate' segment.

## SUBSEA 7 S.A.
## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Segmental Information (Continued)

Below is a summary of the reporting segments for the period:

- North Sea, Mediterranean & Canada (NSMC) formerly Acergy NEC
- Africa & Gulf of Mexico (AFGoM) formerly Acergy AFMED and Acergy NAMEX
- Brazil (BRAZIL) formerly Acergy SAM
- Asia Pacific & Middle East (APME) including SapuraAcergy formerly Acergy AME including SapuraAcergy
- Corporate (CORP) including NKT Flexibles and SHL formerly Acergy Corporate

The previous regions of 'Acergy AFMED' and 'Acergy NAMEX' have been combined for the three and twelve months ended November, 2010 to show an appropriate comparative to the new reporting segment 'AFGoM'.

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

| ***Three Months Ended Dec.31.11 Unaudited* (In $ millions)** | NSMC | AFGoM | APME | BRAZIL | CORP | Total – Continuing operations |
|---|---|---|---|---|---|---|
| Revenue | 586.0 | 605.1 | 38.0 | 186.3 | 2.0 | 1,417.4 |
| Net operating income | 97.4 | 112.0 | (7.0) | (11.3) | (54.4) | 136.7 |
| Investment income | | | | | | 6.0 |
| Other losses | | | | | | (8.7) |
| Finance costs | | | | | | (8.4) |
| Net income before taxation from continuing operations | | | | | | 125.6 |

| ***Three Months Ended Nov.30.10 Unaudited* (In $ millions)** | NSMC | AFGoM | APME | BRAZIL | CORP | Total – Continuing operations |
|---|---|---|---|---|---|---|
| Revenue | 190.5 | 464.4 | 6.4 | 53.3 | 2.6 | 717.2 |
| Net operating income/(loss) | 63.5 | 99.4 | 1.6 | 3.8 | (15.4) | 152.9 |
| Investment income | | | | | | 2.6 |
| Other losses | | | | | | (5.6) |
| Finance costs | | | | | | (10.7) |
| Net income before taxation from continuing operations | | | | | | 139.2 |

| ***Thirteen Months Ended Dec.31.11 Audited* (In $ millions)** | NSMC | AFGoM | APME | BRAZIL | CORP | Total – Continuing operations |
|---|---|---|---|---|---|---|
| Revenue | 2,054.4 | 2,542.9 | 180.7 | 686.3 | 12.2 | 5,476.5 |
| Net operating income/(loss) | 179.0 | 490.3 | 18.2 | 22.5 | (69.5) | 640.5 |
| Investment income | | | | | | 20.0 |
| Other gains | | | | | | 6.9 |
| Finance costs | | | | | | (40.4) |
| Net income before taxation from continuing operations | | | | | | 627.0 |

| ***Twelve Months Ended Nov.30.10 Audited* (In $ millions)** | NSMC | AFGoM | APME | BRAZIL | CORP | Total – Continuing operations |
|---|---|---|---|---|---|---|
| Revenue | 568.1 | 1,396.0 | 179.8 | 214.3 | 10.8 | 2,369.0 |
| Net operating income/(loss) | 83.6 | 307.3 | 83.5 | 8.4 | (46.7) | 436.1 |
| Investment income | | | | | | 9.8 |
| Other losses | | | | | | (18.0) |
| Finance costs | | | | | | (28.7) |
| Net income before taxation from continuing operations | | | | | | 399.2 |

**SUBSEA 7 S.A.**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

## 6. Earnings per share

| (In $ millions, except share and per share data) | Three-Months Ended | | Thirteen Months Ended | Twelve Months Ended |
|---|---|---|---|---|
| | **Dec.31.11** | **Nov.30.10** | Dec.31.11 | Nov.30.10 |
| | **Unaudited** | **Unaudited** | Audited | Audited |
| Net income attributable to equity holders | 100.4 | 113.6 | 423.7 | 265.4 |
| Income from discontinued operations | - | (29.6) | - | (44.6) |
| Net income from continuing operations | 100.4 | 84.0 | 423.7 | 220.8 |
| Interest expense on dilutive convertible notes | 3.9 | 3.9 | 20.5 | 19.0 |
| Adjusted net income from continuing operations including convertible note | 104.3 | 87.9 | 444.2 | 239.8 |
| Weighted-average number of common shares: | | | | |
| Basic number of shares | 338,690,137 | 183,704,785 | 323,783,380 | 183,500,710 |
| Dilutive effect of: | | | | |
| Share options and restricted stock units | 1,788,392 | 936,493 | 1,775,974 | 1,020,820 |
| Convertible notes | 38,642,832 | 22,351,363 | 40,750,146 | 22,184,506 |
| Total diluted number of shares | 379,121,361 | 206,992,641 | 366,309,500 | 206,706,036 |
| **BASIC** | | | | |
| Continuing operations | $0.30 | $0.46 | $1.31 | $1.20 |
| Discontinued operations | - | $0.16 | - | $0.24 |
| Net Earnings | $0.30 | $0.62 | $1.31 | $1.45 |
| **DILUTED** | | | | |
| Continuing operations | $0.27 | $0.42 | $1.21 | $1.16 |
| Discontinued operations | - | $0.14 | - | $0.22 |
| Net Earnings | $0.27 | $0.57 | $1.21 | $1.38 |

For the three months and thirteen months ended December 31, 2011, all convertible loan notes were included in the calculations because they were dilutive.

## 7. Adjusted EBITDA and Adjusted EBITDA margin

The Group calculates adjusted earnings before interest, income taxation, depreciation and amortisation ('Adjusted EBITDA') from continuing operations as net income from continuing operations plus finance costs, other gains and losses, taxation, depreciation and amortisation and adjusted to exclude investment income and impairment charges. Adjusted EBITDA margin from continuing operations is defined as Adjusted EBITDA divided by revenue from continuing operations. Adjusted EBITDA for discontinued operations is calculated as per the methodology outlined above. Adjusted EBITDA for total operations is the total of continuing operations and discontinued operations.

Adjusted EBITDA is a non-IFRS measure that represents EBITDA before additional specific items that are considered to impact the comparison of the Group's performance either year-on-year or with other businesses. The additional specific items excluded from Adjusted EBITDA are other gains and losses and impairment of property, plant and equipment and intangibles. These items are excluded from Adjusted EBITDA because they are individually or collectively material items that are not considered representative of the performance of the businesses during the periods presented. Other gains and losses principally relate to disposals of property, plant and equipment and net foreign exchange gains or losses. Impairments of property, plant and equipment represent the excess of the assets' carrying amount over the amount that is expected to be recovered from their use in the future.

The Adjusted EBITDA measures and Adjusted EBITDA margins have not been prepared in accordance with IFRS as issued by the IASB as adopted for use in the EU. These measures exclude items that can have a significant effect on the Group's profit 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 from continuing operations are important indicators of the operational strength and the performance of the business. These non-IFRS measures provide management with a meaningful comparison amongst its various territories, as they eliminate the effects of financing and depreciation. Management believes that the presentation of Adjusted EBITDA from continuing operations 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 from continuing operations 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 from continuing operations as presented by the Group may not be comparable to similarly titled measures reported by other companies.

**SUBSEA 7 S.A.**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

## 7. Adjusted EBITDA and Adjusted EBITDA margin (Continued)

### Reconciliation to net operating income:

| | Three Months Ended | | | Three Months Ended | | |
|---|---|---|---|---|---|---|
| (In $ millions, except percentages) | Dec.31.11 | Dec.31.11 | Dec.31.11 | Nov.30.10 | Nov.30.10 | Nov.30.10 |
| | Continuing | Discontinued | Total Operations | Continuing | Discontinued | Total Operations |
| **Net operating income** | **136.7** | **-** | **136.7** | 152.9 | 38.9 | 191.8 |
| Depreciation and amortisation | **86.3** | **-** | **86.3** | 33.3 | - | 33.3 |
| Impairments/(Reversal of impairments) | **4.4** | **-** | **4.4** | (7.0) | - | (7.0) |
| **Adjusted EBITDA** | **227.4** | **-** | **227.4** | 179.2 | 38.9 | 218.1 |
| **Revenue** | **1,417.4** | **-** | **1,417.4** | 717.2 | 37.9 | 755.1 |
| **Adjusted EBITDA %** | **16.0%** | **-** | **16.0%** | 25.0% | 102.6% | 28.9% |

| | Thirteen Months Ended | | | Twelve Months Ended | | |
|---|---|---|---|---|---|---|
| (In $ millions, except percentages) | Dec.31.11 | Dec.31.11 | Dec.31.11 | Nov.30.10 | Nov.30.10 | Nov.30.10 |
| | Continuing | Discontinued | Total Operations | Continuing | Discontinued | Total Operations |
| **Net operating income** | **640.5** | **-** | **640.5** | 436.1 | 59.7 | 495.8 |
| Depreciation and amortisation | **337.4** | **-** | **337.4** | 119.4 | - | 119.4 |
| Impairments | **25.4** | **-** | **25.4** | 3.8 | - | 3.8 |
| **Adjusted EBITDA** | **1,003.3** | **-** | **1,003.3** | 559.3 | 59.7 | 619.0 |
| **Revenue** | **5,476.5** | **-** | **5,476.5** | 2,369.0 | 83.4 | 2,452.4 |
| **Adjusted EBITDA %** | **18.3%** | **-** | **18.3%** | 23.6% | 71.6% | 25.2% |

**SUBSEA 7 S.A.**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

## 7. Adjusted EBITDA and Adjusted EBITDA margin (Continued)

### Reconciliation to net income:

| | **Three Months Ended** | | | Three Months Ended | | |
|---|---|---|---|---|---|---|
| (In $ millions, except percentages) | **Dec.31.11** | **Dec.31.11** | **Dec.31.11** | Nov.30.10 | Nov.30.10 | Nov.30.10 |
| | **Continuing** | **Discontinued** | **Total Operations** | Continuing | Discontinued | Total Operations |
| **Net income** | **106.7** | **-** | **106.7** | 94.1 | 29.6 | 123.7 |
| Depreciation and amortisation | **86.3** | **-** | **86.3** | 33.3 | - | 33.3 |
| Impairments/(Reversal of impairments) | **4.4** | **-** | **4.4** | (7.0) | - | (7.0) |
| Finance income | **(6.0)** | **-** | **(6.0)** | (2.6) | - | (2.6) |
| Other gains | **8.7** | **-** | **8.7** | 5.6 | - | 5.6 |
| Finance costs | **8.4** | **-** | **8.4** | 10.7 | - | 10.7 |
| Taxation | **18.9** | **-** | **18.9** | 45.1 | 9.3 | 54.4 |
| **Adjusted EBITDA** | **227.4** | **-** | **227.4** | 179.2 | 38.9 | 218.1 |
| **Revenue** | **1,417.4** | **-** | **1,417.4** | 717.2 | 37.9 | 755.1 |
| **Adjusted EBITDA %** | **16.0%** | **-** | **16.0%** | 25.0% | 102.6% | 28.9% |

| | **Thirteen Months Ended** | | | Twelve Months Ended | | |
|---|---|---|---|---|---|---|
| (In $ millions, except percentages) | **Dec.31.11** | **Dec.31.11** | **Dec.31.11** | Nov.30.10 | Nov.30.10 | Nov.30.10 |
| | **Continuing** | **Discontinued** | **Total Operations** | Continuing | Discontinued | Total Operations |
| **Net income** | **450.7** | **-** | **450.7** | 268.4 | 44.6 | 313.0 |
| Depreciation and amortisation | **337.4** | **-** | **337.4** | 119.4 | - | 119.4 |
| Impairments | **25.4** | **-** | **25.4** | 3.8 | - | 3.8 |
| Finance income | **(20.0)** | **-** | **(20.0)** | (9.8) | - | (9.8) |
| Other (losses)/gains | **(6.9)** | **-** | **(6.9)** | 18.0 | 0.2 | 18.2 |
| Finance costs | **40.4** | **-** | **40.4** | 28.7 | - | 28.7 |
| Taxation | **176.3** | **-** | **176.3** | 130.8 | 14.9 | 145.7 |
| **Adjusted EBITDA** | **1,003.3** | **-** | **1,003.3** | 559.3 | 59.7 | 619.0 |
| **Revenue** | **5,476.5** | **-** | **5,476.5** | 2,369.0 | 83.4 | 2,452.4 |
| **Adjusted EBITDA %** | **18.3%** | **-** | **18.3%** | 23.6% | 71.6% | 25.2% |

**SUBSEA 7 S.A.**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

## 8. Dividends

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

## 9. Cash flow from operating activities

| (In $ millions) | **Thirteen Months Ended Dec.31.11 Audited** | Twelve Months Ended Nov.30.10 Audited Restated |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | **450.7** | 313.0 |
| *Adjustments for:* | | |
| Depreciation of property, plant and equipment | **307.6** | 116.2 |
| Impairment charges | **25.4** | (1.3) |
| Amortisation of intangible assets | **26.4** | 1.6 |
| Net impairment of intangible assets | **-** | 5.1 |
| Share of net income of associates and joint ventures | **(103.7)** | (74.8) |
| Amortisation of mobilisation costs | **3.4** | 1.6 |
| Share based payments and retirement obligations | **15.7** | 9.5 |
| Finance income | **(20.0)** | (9.8) |
| Finance costs | **40.4** | 28.7 |
| Inventories written-off | **0.2** | (0.5) |
| Taxation | **176.3** | 145.7 |
| Losses on disposal of property, plant and equipment | **2.9** | - |
| Foreign exchange gains | **(11.8)** | (47.3) |
| | **913.5** | 487.7 |
| **Changes in operating assets and liabilities, net of acquisitions:** | | |
| Decrease/(increase) in inventories | **2.2** | (1.6) |
| Increase in trade and other receivables | **(450.6)** | (137.2) |
| Increase/(decrease)in trade and other liabilities | **345.7** | (63.2) |
| | **(102.7)** | (202.0) |
| Income taxes paid | **(231.4)** | (137.4) |
| **Net cash generated from operating activities** | **579.4** | 148.3 |

## 10. Contingent liabilities

Between 2009 and 2011, the Group's Brazilian businesses were audited and formally assessed for ICMS tax (import duty) by the Brazilian tax authorities (Secretaria Fazenda Estado Rio de Janeiro). The amount assessed including penalties and interest, for the Group, amounted to BRL 478 million ($258 million) as at December 31, 2011. The Group has challenged this assessment and will revert to the courts if necessary. With the exception of $9.3 million provision required as part of the calculation of the contingent liabilities for the purchase price allocation mentioned below, no provision has been made for any payment as the Group does not believe that likelihood of payment is probable.

As part of accounting for the business combination with Subsea 7 Inc., IFRS 3 – Business Combinations requires the Group to recognise, as of the acquisition date, the fair value of contingent liabilities assumed if there is a present obligation that arises from past events, even where payment is not probable. The provisional fair value allocated to such contingent liabilities is $35.7 million calculated using a weighted average of possible outcomes. Further details are included in note 11. Despite the requirements of IFRS 3, the Group continues to believe that payment is not probable.

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

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

## 11. Business Combination

The acquisition by Subsea 7 S.A. of Subsea 7 Inc. was completed on January 7, 2011 after closing of the Oslo Børs. Subsea 7 S.A. issued 156,839,759 new shares to the Subsea 7 Inc. shareholders in consideration for all of the issued Subsea 7 Inc. shares, at which point, the shares of Subsea 7 Inc. were delisted. The fair value of each newly issued share was $25.19, based on the closing price on Oslo Børs on the acquisition date, January 7, 2011, resulting in an aggregate market value of shares issued of $3.95 billion.

The acquisition created a global leader in seabed-to-surface engineering, construction and services with:

- A market value of $9 billion and a global organisation of 12,000 people;
- The capability and resources to address the worldwide growth in size and complexity of subsea projects;
- Enhanced local presence in all major offshore oil and gas regions;
- A combined backlog in excess of $6 billion giving a complementary mix by contract type and geographical region;
- Complementary businesses able to deliver a step-change in service for clients;
- Expected annual synergies of at least $100 million from 2013; and
- Improved ability to attract and retain the best talent from within and outside our industry.

## 11. Business Combination (Continued)

The fair value of the identifiable assets and liabilities of Subsea 7 Inc. as at the date of acquisition were:

| (In $ millions) | **Fair value recognised on acquisition** |
|---|---|
| **Assets** | |
| Intangible assets | 50.8 |
| Property, plant and equipment | 1,790.4 |
| Other current assets | 614.0 |
| Cash and cash equivalents | 458.9 |
| Inventory | 35.2 |
| Deferred tax assets | 10.2 |
| Tax receivables | 4.0 |
| Interests in associates and joint ventures | 7.7 |
| Derivative financial instruments | 1.3 |
| | **2,972.5** |
| **Liabilities** | |
| Convertible loan notes – liability component | (509.6) |
| Other current liabilities | (645.6) |
| Deferred tax liabilities | (140.8) |
| Current tax liabilities | (69.5) |
| Contingent liabilities | (35.7) |
| Provisions | (16.5) |
| Derivative financial instruments | (2.4) |
| | **(1,420.1)** |
| Total identifiable net assets at fair value | **1,552.4** |
| Goodwill arising on acquisition | 2,538.5 |
| | **4,090.9** |
| Consideration is comprised of: | |
| Shares issued at market value | 3,950.8 |
| Add: pre-combination portion of the fair value of share based payments replaced by Subsea 7 S.A. on combination | 26.2 |
| Add: convertible notes – equity component | 189.5 |
| Less: market value of treasury shares acquired | (75.6) |
| | **4,090.9** |

Goodwill recognised above was allocated to cash generating units in the currencies of the underlying assets. As a result, exchange differences of $28.1 million have been recognised in the thirteen months to December 31, 2011, giving a closing goodwill balance of $2,566.6 million.

The process of fair valuing the assets and liabilities of Subsea 7 Inc. has now been concluded. Following this review, the goodwill arising on acquisition has increased by $156.7 million since October 1, 2011, excluding foreign exchange effects. This mainly relates to the recognition of additional project loss provisions and some increased contingencies, final assessment of the recoverability of receivables balances, the write-down of some costs associated with the Parana base in Brazil and movements in deferred tax liabilities relating to the global property portfolio and vessels working in the UK which are not part of the tonnage tax regime.

## 11. Business Combination (Continued)

The fair value of the trade receivables acquired amounted to $212.2 million. The gross contractual amount of trade receivables was $213.3 million. The difference related to amounts which the Subsea 7 Inc. group had already provided for at the date of acquisition. No other trade receivables have been impaired.

The goodwill recognised above is attributed to the expected operating costs, vessel fleet and capital expenditure synergies and other benefits from combining the assets and activities of Subsea 7 Inc. with those of the Group and intangible assets of Subsea 7 Inc. which do not meet the separate recognition criteria. These other benefits, which cannot be separately recognised, include for example, the assembled workforce, the diversification of the fleet and the complementary service capabilities. None of the recognised goodwill is expected to be deductible for income tax purposes.

Treasury shares acquired were previously accounted for by Subsea 7 Inc. as financial assets held-for-sale. Post acquisition they are accounted for as treasury shares.

As noted in note 10, contingent liabilities with a fair value of $35.7m have been determined, in accordance with IFRS 3, at the acquisition date resulting from various claims from tax authorities in Brazil, clients, suppliers, employees and other parties where the Group considers the claims possible but not probable. In addition to the $9.3m contingent liability described in note 10 the following contingent liabilities have been recognised:

In 2007 and 2008, Subsea 7 Brasil Serviços Ltda received two notifications from the Federal Audit Court of Brazil alleging overbilling related to services rendered in the construction and installation of submarine pipelines. These notifications amounted to BRL 101.0 million ($54.4 million). A contingent liability of $20.3 million has been recognised in respect of these notifications in accordance with IFRS 3 – 'Business Combinations'. Both cases are pending with the authorities in Brazil for judgement. The timing and amount of any cash outflow is uncertain. No provision has been made for any payment as the Group does not believe that likelihood of payment is probable.

In 2010, Subsea 7 Brasil Serviços Ltda received a number of claims from Rio de Janeiro State Treasury in relation to alleged errors in magnetic tax filing files. The claims and fines amounted to BRL 15.6 million ($7.9 million). The cases were all progressed during 2010; however the timing of resolution remains uncertain. A contingent liability of $2.8 million has been recognised in relation to these claims in accordance with IFRS 3 – 'Business Combinations'. No provision has been made for any payment as the Group does not believe that likelihood of payment is probable.

In 2010, Subsea 7 (Vessel Company) Limited received a claim letter on behalf of Hydrodive International Limited relating to the sale of the vessel *Kommandor Subsea 2000* in 2007. The letter claimed misrepresentation with regard to the condition of the vessel upon sale. The amount of the claim currently stands at $18.6 million. The Group is currently reviewing the claim with its advisors, and has rejected the claim both in substance and quantum. No further correspondence has been received from the claimant so the timing and magnitude of any cash outflow cannot be determined. A contingent liability of $0.2 million has been recognised, however the Group does not believe that this liability is probable.

A further $2.2 million of contingent liabilities have been recognised in relation to several other smaller claims, in line with the provisions of IFRS 3. In addition, a current tax liability of $12.5 million was recognised in respect of corporate tax contingencies that may arise in various jurisdictions. The Group does not believe that the likelihood of these contingencies arising is probable.

In 2010, the Subsea 7 Inc. group received claim letters on behalf of personnel relating to exposure to dispersant during the Macondo incident. No contingent liability has been recognised for any payments in respect of these claims as a reliable estimate of the amount of the claim cannot be made, the timing of any cash outflow relating to these claims cannot be determined and the Group believes that any claim will be covered by contractual indemnities.

Post combination, the Group's operations were integrated with resources, including vessels and people, shared within the new group. As a result, it is impracticable to measure accurately the revenue and profits for the Subsea 7 Inc. group, as if it were a standalone entity for period. If the combination had taken place on December 1, 2010, revenue from continuing operations would have been $5,652.4 million and net income after taxes from continuing operations would have been $452.4 million.

## 11. Business Combination (Continued)

Transaction costs of $0.3 million (2010: $15.1 million) have been expensed in the thirteen months ended December 31, 2011 and are included in administrative expenses.

The non-controlling interest in Engineering Subsea Solutions Limited ('ESS') (an indirect subsidiary of Subsea 7 Inc.) was recorded at $nil. The ESS group had net liabilities as at January 7, 2011.

## 12. Borrowings

Significant financing activities for the thirteen months to December 31, 2011 include the following:

On January 11, 2011, the Group issued a change of control notice relating to the 2011 convertible loan notes issued by Subsea 7 Inc. As a result of this change of control, noteholders could exercise their conversion rights as provided in the note conditions or could exercise their right to require redemption of their notes.

On March 17, 2011 the Group announced that at the expiry of the change of control notice period, redemption notices for $300,000 par value of the outstanding notes were received. These notes were repaid at par, plus accrued interest, on March 29, 2011.

On February 16, 2011 a NOK 920 million loan agreement with Eksportfinans ASA was executed. This facility utilised the guarantee element of the NOK 977.5 million facility and has been used to part finance *Seven Havila*, which was delivered on February 23, 2011.

On February 21, 2011 Subsea 7 Inc. cancelled the outstanding commitments under the revolving credit facilities with DnB NOR Bank ASA ($150 million), HSBC Bank plc ($50 million) and Bank of Scotland plc ($50 million).

On May 31, 2011 holders of $62.1 million (par value) of the $300 million 2.80% convertible loan notes due 2011 issued by Subsea 7 Inc. filed their conversion notice for their notes to be converted into common shares of the Group. As a result, a total of 2,512,135 common shares in the Group were delivered to noteholders on June 6, 2011. These shares were delivered from existing shares held in treasury. Fractional entitlements were cash settled. The remaining $166.6 million (par value) of notes were redeemed at their accreted principal amount of $168.9 million on June 6, 2011; the final maturity date.

## 13. Property Plant and Equipment

Significant changes to property, plant and equipment for the thirteen months to December 31, 2011 were as follows:

*Additions*
Excluding the assets acquired as part of the combination with Subsea 7 Inc., the significant fixed asset additions for the thirteen months to December 31, 2011 were:
- Construction of *Seven Borealis;*
- Purchase and construction of *Seven Havila;*
- Capital expenditure relating to the i-Tech Project for Petrobras; and
- Completion of pipelay capabilities on *Antares*.

*Disposals*
During the year, *Acergy Hawk* was sold for a sales consideration of $9.5 million.

*Impairment*
In adherence to proposed undertakings given to the UK Office of Fair Trading the transfer of ownership of *Acergy Falcon* occurred in September 2011. IAS 36 'Impairment of assets' requires that a fixed asset be recognised at the lower of its net book value and its recoverable amount. The fair value of the sale proceeds is considered the recoverable amount for *Acergy Falcon* and in accordance with IAS 36 an impairment charge of $15.9 million was recorded in the thirteen months ended December 31, 2011.

## 14. Assets classified as held for sale

Investments in Sonamet and Sonacergy: On July 23, 2009, the Group entered into a sale agreement to dispose of 19% of its ownership interest in each of Sonamet Industrial, S.A ('Sonamet') and Sonacergy – Servicos E Construcoes Petroliferas Lda (Zona Franca Da Madeira) ('Sonacergy'), in AFGoM. Sonamet operates a fabrication yard for clients, including Subsea 7, operating in the offshore oil and gas industry in Angola. Sonacergy provides overseas logistics services and support to Sonamet. The disposal of a 19% interest in each of Sonamet and Sonacergy will result in a reduction of the 55% ownership interest the Group held in each at September 30, 2011, to 36% at which point the investment will be equity accounted. The finalisation of this sale is conditional upon the completion of certain conditions precedent, none of which are in the control of Subsea 7, which were still outstanding at December 31, 2011. There is no indication that the sale will not proceed as anticipated and the Group expects completion during 2012. The Group believes continued disclosure as an asset held for sale is appropriate.

At December 31, 2011 the carrying value of the net assets of Sonamet and Sonacergy was assessed for impairment and determined to be greater than the fair value less costs to sell. Therefore, an impairment charge of $9.5 million was recognised in the income statement in net operating income for the thirteen months which ended on December 31, 2011.

As at December 31, 2011 the Group's cash balances of $803.4 million excluded $51.5 million relating to Sonamet and Sonacergy which was classified as an asset held for sale.

## 15. Treasury Shares

During the thirteen months to December 31, 2011, the Group issued 959,703 treasury shares to employees to satisfy its commitments under share option and restricted share schemes, in accordance with the terms of those schemes.

On June 15, 2011 the Group announced that it had decided to carry out a share buy-back programme of up to 2,512,135 shares. The buy-back programme was initiated in order to remove the dilution for existing shareholders resulting from the delivery on June 6, 2011 of an equivalent number of shares from treasury to converting holders of $300m 2.80% convertible loan notes due 2011. The repurchased shares will either be cancelled or held as treasury shares to meet obligations arising under notes convertible into shares of the Group or any employee share option schemes. Shares were repurchased in the open market on Oslo Børs. This repurchase payment is in accordance with the authorisation granted to the Board at the Annual General Meeting on May 27, 2011. Under the authorisation, the Group or any direct or indirect wholly-owned subsidiary of the Group is authorised to purchase shares subject to the maximum price to be paid for such shares not exceeding the average closing price for such shares on Oslo Børs for the five most recent trading days prior to such purchase and the minimum price to be paid for such shares shall not be less than the par value (i.e. U.S. $2.00 per share) thereof and further provided such purchases are in conformity with Article 49-2 of the Luxembourg Company Law, such authorisation being granted for purchases completed on or before May 26, 2016.

The final repurchase on July 11, 2011 completed the buyback programme of 2,512,135 shares at a total consideration of $60.0 million.

As at December 31, 2011, Subsea 7 S.A. held indirectly 10,403,599 treasury shares representing 2.96% of the total number of issued shares. In addition, 914,000 shares were held in an employee benefit trust to support the 2009 Long-Term Incentive Plan and a further 1,737,803 shares were held in a separate employee benefit trust to support the restricted stock award plan. Total shares in issue, including treasury shares, were 351,793,731.

## 16. Post Balance Sheet Events

### Sale of NKT Flexibles

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

The transaction will lead to a gain on disposal which is expected to be recognised in 2012.

The joint venture did not meet the criteria in IFRS 5 to be classified as held for sale at December 31, 2011 but will be classified as held for sale from February 3, 2012. The joint venture is presented within the Corporate segment.

### SEC Deregistration

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

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

### Board Change

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

### Share buyback

On March 16, 2012 the Group announced a share buyback programme of up to $200 million. The programme has been approved pursuant to the standing authorisation granted to the Board at the Annual General Meeting held on May 27, 2011 which allows for the purchase of up to a maximum of 10% of the Group’s issued share capital, net of purchases already made. It is expected that this buyback programme will be carried out over the next twelve months.

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